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U.S. DISTRICT COURT
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Attorneys for Plaintiffs

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

C08 03535

PVT

YU-SZE YEN; CLARICE ARNE; MIKE BAKER; JUAN BETTAGLIO AND BRENDA BETTAGLIO, individually and as Trustees of the Bettaglio Family Trust; MIKE BROGDAN AND RENEE BROGDON, individually and as Trustees of the Brogdon Family Trust; DIANE BRYSON; JAMES BRYSON; WAYNE CANTO AND CANDISE CANTO; FRANK CARBAJAL AND MEGAN CARBAJAL; KWEI CHOONG; JASON COLYAR; JIM COATES; JKAT PROPERTIES, LLC, a California limited liability company; MARK DELMAN AND KATHLEEN DELMAN; TIM GALE AND LORI GALE; ERIC GOLD; JACK GREER AND DIANE GREER; JERRY HUGHES AND RHONDA HUGHES; JEFF LAWRENCE; TINA McCRAW; BRUCE MEEKER AND DEBORAH MEEKER; MATT ROGERS AND JULIE ROGERS; DAVID SAMS; CYNTHIA SEMENOFF; BRIAN STARR AND DEBRA STARR; JEFFREY STEELE; NICOLE STEELE; LAURA STEELE; LEN AND JAN TURNER; IRVIN URBANSKI AND YOLANDA URBANSKI; KATHY URY; MARK VAN BUHLER; BOB WINGER AND NANCY WINGER; JAMES WONG; CHARLIN YEN,

Plaintiffs,

CASE NO.:

COMPLAINT FOR:

- (1) VIOLATION OF SECTION 1962(A) OF THE RACKETEERING INFLUENCED AND CORRUPT ORGANIZATION ACT OF 1970 ("RICO");
- (2) VIOLATION OF SECTION 1962(C) OF THE RICO ACT;
- (3) VIOLATION OF SECTION 1962(D) OF THE RICO ACT;
- (4) VIOLATION OF SECTION 10B AND RULE 10B-5 OF THE SECURITIES EXCHANGE ACT OF 1934;
- (5) VIOLATION OF SECTION 12(A) OF THE SECURITIES ACT OF 1933;
- (6) VIOLATION OF CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION 17200, ET SEQ.;
- (7) BREACH OF FIDUCIARY DUTY;
- (8) BREACH OF CONTRACT;
- (9) BREACH OF THE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING;
- (10) NEGLIGENT MISREPRESENTATION;
- (11) INTENTIONAL MISREPRESENTATION;
- (12) CONSPIRACY;

v.

RONALD BUCHHOLZ; CHARISE FISCHER, formerly known and a.k.a., Charise Buchholz; SOLOMON CAPITAL, LLC, a Nevada limited liability company; RNC HOLDINGS, LLC, a Nevada limited liability company; LUXURY DEVELOPMENT FUND, LLC, a Delaware limited liability company; EQUITY ENTERPRISES, INC., a California corporation; EQUITY ENTERPRISES-NEVADA, INC., a Nevada corporation; EQUITY ENTERPRISE MANAGEMENT, INC.; ALABANZA, INC., formerly a California corporation; JONATHON VENTO; GRACE CAPITAL, LLC dba GRACE COMMUNITIES, an Arizona limited liability company; DONALD ZELEZNAK; ZELEZNAK PROPERTY MANAGEMENT, LLC dba KELLER WILLIAMS REALTY, an Arizona limited liability company; KELLER WILLIAMS REALTY, INC., a Texas corporation; Z LOFTS, LLC, an Arizona limited liability company; PASTOR WILLIAM E. BUCHHOLZ; FAMILY COMMUNITY CHURCH, a California corporate entity; RDB DEVELOPMENT, LLC, a Nevada limited liability company; ZELTOR, LLC, a Nevada limited liability company; VENTO INVESTMENTS, LLC, an Arizona limited liability company; GUY BERRY; VENTO FAMILY TRUST; and DOES 1-100, inclusive,

Defendants.

(13) ALTER EGO;

(14) FRAUD;

(15) CONSTRUCTIVE FRAUD;

(16) RESCISSION BASED ON MATERIAL MISREPRESENTATION AND SECURITIES TRANSACTION PURSUANT TO CALIFORNIA CORPORATIONS CODE SECTIONS 25501 AND 25401;

(17) JOINT AND SEVERAL LIABILITY OF MANAGEMENT PRINCIPALS AND MATERIALLY AIDING PERSONNEL PURSUANT TO CALIFORNIA CORPORATIONS CODE SECTIONS 25501, 25401, and 25504;

(18) RESCISSION OF SALE OF SECURITIES NOT QUALIFIED FOR SALE AND RESTITUTION OF CONSIDERATION PAID PURSUANT TO CALIFORNIA CORPORATIONS CODE SECTIONS 25503, 25102(F), AND 25110;

(19) JOINT AND SEVERAL LIABILITY OF MANAGEMENT PRINCIPALS AND MATERIALLY AIDING PERSONNEL PURSUANT TO CALIFORNIA CORPORATIONS CODE SECTIONS 25503, 25102(F), AND 25110;

(20) ACCOUNTING

JURY TRIAL DEMANDED

COMES NOW, Plaintiffs YU-SZE YEN; CLARICE ARNE; MIKE BAKER; JUAN BETTAGLIO AND BRENDA BETTAGLIO, INDIVIDUALLY AND AS TRUSTEES OF THE BETTAGLIO FAMILY TRUST; MIKE BROGDAN AND RENEE BROGDON, INDIVIDUALLY AND AS TRUSTEES OF THE BROGDON FAMILY TRUST; DIANE BRYSON; JAMES BRYSON; WAYNE CANTO AND CANDISE CANTO; FRANK CARBAJAL AND MEGAN CARBAJAL; KWEI CHOONG; JASON COLYAR; JIM COATES; JKAT PROPERTIES, LLC, a California limited liability company; MARK DELMAN AND KATHLEEN DELMAN; TIM GALE AND LORI GALE; ERIC GOLD; JACK

1 GREER AND DIANE GREER; JERRY HUGHES AND RHONDA HUGHES; JEFF
2 LAWRENCE; TINA McCRAW; BRUCE MEEKER AND DEBORAH MEEKER; MATT
3 ROGERS AND JULIE ROGERS; DAVID SAMS; CYNTHIA SEMENOFF; BRIAN
4 STARR AND DEBRA STARR; JEFFREY STEELE; NICOLE STEELE; LAURA
5 STEELE; LEN AND JAN TURNER; IRVIN URBANSKI AND YOLANDA URBANSKI;
6 KATHY URY; MARK VAN BUHLER; BOB WINGER AND NANCY WINGER; JAMES
7 WONG; CHARLIN YEN; by and through their attorneys, and submit their Complaint
8 against Defendants RONALD BUCHHOLZ; CHARISE FISCHER, formerly known and
9 a.k.a., Charise Buchholz; SOLOMON CAPITAL, LLC, a Nevada limited liability
10 company; RNC HOLDINGS, LLC a Nevada limited liability company; LUXURY
11 DEVELOPMENT FUND, LLC, a Delaware limited liability company; EQUITY
12 ENTERPRISES, INC., a California corporation; EQUITY ENTERPRISES-NEVADA,
13 INC., a Nevada corporation; EQUITY ENTERPRISE MANAGEMENT, INC.;
14 ALABANZA, INC., formerly a California corporation; JONATHON VENTO; GRACE
15 CAPITAL, LLC, dba GRACE COMMUNITIES, a Arizona limited liability company;
16 DONALD ZELEZNAK; ZELEZNAK PROPERTY MANAGEMENT, LLC dba KELLER
17 WILLIAMS REALTY, an Arizona limited liability company; KELLER WILLIAMS
18 REALTY, INC., a Texas corporation; Z LOFTS, LLC, an Arizona limited liability
19 company; PASTOR WILLIAM E. BUCHHOLZ; FAMILY COMMUNITY CHURCH, a
20 California corporate entity; RDB DEVELOPMENT, LLC, a Nevada limited liability
21 company; ZELTOR, LLC, a Nevada limited liability company; VENTO INVESTMENTS,
22 LLC, an Arizona limited liability company; GUY BERRY; VENTO FAMILY TRUST; and
23 DOES 1-100, inclusive, as follows.

25 I. INTRODUCTION AND OVERVIEW OF THE ACTION

26
27 1. This is an unlimited civil action brought under Sections 1962(a), 1962(c), and
28 1962(d) of the Racketeer Influenced & Corrupt Organizations Act of 1970 (18 U.S.C.

1 §§1961 et seq.) ("RICO"), Section 10b and Rule 10b-5 of the Securities Exchange Act
2 of 1934 (17 C.F.R. § 240.10b-5) ("Rule 10b-5"), Section 12(a) of the Securities Act of
3 1933 (15 U.S.C. § 771(a)) ("Section 12(a)"), Section 17200 of the California Business &
4 Professions Code, Breach of Fiduciary Duty, Breach of Contract, Breach of the Implied
5 Covenant of Good Faith and Fair Dealing, Negligent Misrepresentation, Intentional
6 Misrepresentation, Fraud, Conspiracy, Alter Ego, Accounting, and California
7 Corporations Code §§ 25401, 25501, 25503, 25110, and 25130. On information and
8 belief, Plaintiffs allege that Defendants created a real estate "Ponzi scheme" to defraud
9 Plaintiff investors and other persons and entities of tens of millions of dollars. Generally,
10 Defendants' culpable activities included, but were not limited to:

- 11 a. Misrepresentations that investors were paying fair market value for the land
12 to be purchased by Defendants with Plaintiffs' investment capital;
- 13 b. Misrepresentations as to the return on investment and payments that would
14 be received by Plaintiffs;
- 15 c. Misrepresentations as to the cost of land and properties purchased and re-
16 sale directly and/or indirectly to Plaintiff investors at grossly inflated prices,
17 at times making use of simultaneous escrows whereby property was
18 purchased at prices less than that represented to investors and then
19 immediately re-sold at grossly inflated and prices;
- 20 d. Knowingly presenting grossly incorrect, if not intentionally inflated
21 appraisals to induce Plaintiff investors to invest;
- 22 e. Creating investor groups and inducing them to invest and then re-selling
23 the same land/projects to other investor groups created by Defendants;
- 24 f. Engineering, creating and controlling entities as vehicles by
25 misrepresentation to perpetrate the schemes;
- 26 g. Secretly, without disclosure, and fraudulently cross collateralizing projects
27 and properties so as to dilute, if not destroy value;
- 28 h. Issuing promissory notes on the basis of purported security that did not

1 exist and/or wilfully failing to perfect security interests and/or issuing such
 2 notes with terms and conditions that violated the rights of prior and/or other
 3 investors;

4 i. By secretly demanding kickbacks so as to dilute, if not destroy value;

5 J. By taking extraordinary and unconscionable fees for services never
 6 performed and without intention of ever performing services;

7 k. By arranging for extraordinary and unconscionable fees and/or
 8 commissions for transactions;

9 l. By intentionally over-leveraging property land by use of misrepresentations,
 10 knowingly and grossly inaccurate appraisals and drawing from funds
 11 acquired and diverting the funds acquired solely for personal gain and
 12 without the intention of using the funds as indicated by their
 13 representations;

14 m. Misrepresentations as to the status and conditions of purported
 15 development;

16 n. Misrepresentations as to and active concealment of the true nature of the
 17 inter-relationships between individuals and of entities created and
 18 controlled by Defendants; and

19 o. Misrepresentations as to and active concealment of the true nature of the
 20 status of projects so as to pressure investors into additional capital
 21 contributions under threat of the loss of initial investments.

22 2. Plaintiffs allege, on information belief, that Defendants' fraudulent Enterprise
 23 or "Ponzi scheme" involved the "OPERATORS," RONALD BUCHHOLZ; CHARISE
 24 FISCHER, formerly known and a.k.a., Charise Buchholz; SOLOMON CAPITAL, LLC, a
 25 Nevada limited liability company; RNC HOLDINGS, LLC a Nevada limited liability
 26 company; LUXURY DEVELOPMENT FUND, LLC, a Delaware limited liability company;
 27 EQUITY ENTERPRISES, INC., a California corporation; EQUITY ENTERPRISES-
 28 NEVADA, INC., a Nevada corporation; EQUITY ENTERPRISE MANAGEMENT, INC.;

1 ALABANZA, INC., formerly a California corporation; and the "FACILITATORS",
2 JONATHON VENTO; GRACE CAPITAL, LLC, dba GRACE COMMUNITIES, a Arizona
3 limited liability company; DONALD ZELEZNAK; Z LOFTS, LLC, an Arizona limited
4 liability company; who purchased the land in advance in preparation for later sale to the
5 investors at a highly inflated price, and the "AGENT AND BROKER" DONALD
6 ZELEZNAK and ZELEZNAK PROPERTY MANAGEMENT, LLC dba KELLER
7 WILLIAMS REALTY, an Arizona limited liability company, ; who facilitated the
8 transactions and received, in some instances, 20% (twenty percent) commission rates;
9 and KELLER WILLIAMS REALTY, INC., a Texas corporation.

10 3. Defendant, WILLIAM E. BUCHHOLZ, within the context of his position as
11 pastor of Defendant, FAMILY COMMUNITY CHURCH, a California corporate entity,
12 encouraged and solicited investment by some of the Plaintiffs who were members of the
13 church, at times doing so by promising that members who invested would be relieved of
14 their obligations to tithe to the church.

15 4. Plaintiffs further allege, on information belief, that RDB DEVELOPMENT, LLC,
16 a Nevada limited liability company; and ZELTOR, LLC, a Nevada limited liability
17 company; and VENTO INVESTMENTS, LLC, an Arizona limited liability; and the
18 VENTO FAMILY TRUST were utilized by some defendants as vehicles to engage in
19 transactions in furtherance of the scheme.

20 5. Plaintiffs further allege, on information belief including, but not limited to,
21 representation, that he acted in the capacity of providing legal and compliance service
22 to SOLOMON CAPITAL, Defendant, GUY BERRY, was a part of the scheme.

23 6. The proceeds from this fraudulent Enterprise were then used by Defendants to
24 perpetrate further and additional fraud other investors.

25 7. By this complaint, Plaintiffs seek rescission of the unqualified securities,
26 damages, and injunctive relief to enjoin Defendants from continuing to perpetrate the
27 fraudulent Enterprise or "Ponzi scheme" upon other putative investors or transferring
28 any assets acquired therefrom.

II. JURISDICTION AND VENUE

8. This is an action for damages and a permanent injunction arising out of Defendants' violations of Sections 1962(a), 1962(c), and 1962(d) of the Racketeer Influenced and Corrupt Organizations Act of 1970 (18 U.S.C §§ 1961, et seq. ("RICO"); Section 10b and Rule 10b-5 of the Securities Exchange Act of 1934 (17 C.F.R. § 240.10b-5) ("Rule 10b-5"); Section 12(a) of the Securities Act of 1933 (15 U.S.C. § 771(a)) ("Section 12(a)"); Section 17200 of the California Business & Professions Code; Breach of Fiduciary Duty; Breach of Contract; Negligent Misrepresentation; Intentional Misrepresentation; Conspiracy; Fraud, Constructive Fraud; Alter Ego; California Corporations Code §§ 25401, 25501, 25503, 25110, and 25130; and Accounting.

9. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, federal question jurisdiction, based on the RICO, Rule 10b-5, and Section 12(a) claims in this action. This Court has supplemental jurisdiction over the state law claims in this action pursuant to 28 U.S.C. § 1367 because the remaining state law claims are so related to the RICO, Rule 10b-5, and Section 12(a) claims that they form a part of the same case or controversy and fall within this Court's supplemental jurisdiction.

10. In addition, this Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1332(d)(2), diversity of citizenship jurisdiction, because all Plaintiffs are citizens of different states than all Defendants, and because the amount in controversy exceeds \$75,000.00.

11. Venue is proper in the Northern District of California pursuant to 28 U.S.C. § 1965(a) because the Defendants transact affairs in this District; pursuant to 28 U.S.C. § 1965(b) because the ends of justice require that the parties residing in any other district be brought before this Court; pursuant to 28 U.S.C. § 1291(b) because a substantial part of the events or omissions giving rise to this action occurred in this District; and/or pursuant to 28 U.S.C. § 1391(b) because one or more of the Defendants is subject to

1 personal jurisdiction in this District.

2 12. The Court has jurisdiction over Defendants RONALD BUCHHOLZ and
3 CHARISE FISCHER because RONALD BUCHHOLZ and CHARISE FISCHER own
4 property in the State of California; did and/or still reside here at the time they committed
5 acts alleged; several of the companies they manage, including RDB DEVELOPMENT
6 and SOLOMON CAPITAL, did list and/or still list as their principal address in this
7 District; and committed acts in furtherance of the scheme within Santa Clara County.

8 13. This Court has jurisdiction over Defendant, SOLOMON CAPITAL, LLC,
9 because it maintains an office or place of business in the State of California, it regularly
10 conducts business in the State of California, and it purposefully directed the activities
11 complained of herein toward residents of California and otherwise established contacts
12 with California in participating in and otherwise engaging in the Enterprise as described
13 herein.

14 14. This Court has jurisdiction over Defendants, RNC HOLDINGS, LLC,
15 LUXURY DEVELOPMENT FUND, LLC, EQUITY ENTERPRISES, INC., EQUITY
16 ENTERPRISES-NEVADA, INC., EQUITY ENTERPRISE MANAGEMENT, INC., and
17 ALABANZA, INC., because they conducted business in the State of California, and
18 purposefully directed the activities complained of herein toward residents of California
19 and otherwise established contacts with California in participating in and otherwise
20 engaging in the Enterprise as described herein.

21 15. This Court has jurisdiction over Defendants, JONATHON VENTO; GRACE
22 CAPITAL, LLC, dba GRACE COMMUNITIES, DONALD ZELEZNAK, Z LOFTS, LLC,
23 ZELEZNAK PROPERTY MANAGEMENT, LLC dba KELLER WILLIAMS REALTY, and
24 KELLER WILLIAMS REALTY, INC., RDB DEVELOPMENT, LLC, ZELTOR, LLC,
25 VENTO INVESTMENTS, LLC, and the VENTO FAMILY TRUST because they
26 conducted business in the State of California, and purposefully directed the activities
27 complained of herein toward residents of California and otherwise established contacts
28 with California in participating in and otherwise engaging in the Enterprise as described

1 herein and because KELLER WILLIAMS REALTY, INC., maintains multiple places of
2 business in the State of California, is qualified to conduct business in California, and
3 regularly conducts business in the State of California. .
4

5 III. PARTIES

6

7 16. Plaintiffs purchased the unqualified securities and/or made loans, based on
8 the on the misrepresentations and active concealment of true facts by Defendants by
9 delivery of funds to one or more of the entity Defendants and/or entities controlled by
10 one or more of the Defendants and used in furtherance of the Enterprise after
11 enticement to provide funds based on purported real estate investment opportunities as
12 discussed herein.

13 17. Plaintiff, Yu-Sze Yen, is an individual residing in Santa Clara County,
14 California, who delivered to \$50,000.00 for investment in the project generally known as
15 St. Charles (Chicago) utilizing funds of an IRA of which she is beneficiary; delivered
16 funds utilizing an IRA of which she is beneficiary for investment in the project generally
17 known as Gilbert Office and Red Mountain (Arizona) and, after distribution(s) has a net
18 loss of investment in the sum of or approximate sum of \$62,844.00; delivered
19 \$200,000.00 for investment in the LUXURY DEVELOPMENT FUND utilizing funds of an
20 IRA of which she is beneficiary; and delivered \$100,000.00 for investment in the project
21 involving the Erie Land Fund, LLC (Erie Phase 1) .

22 18. Plaintiff, Clarice Arne, is an individual residing in Santa Clara County,
23 California, who, via an IRA of which she is the beneficiary, delivered \$114,300.00 for
24 investment in the LUXURY DEVELOPMENT FUND.

25 19. Plaintiff, Mike Baker, is an individual residing in Santa Clara County;
26 California, who delivered \$49,000.00 related to purported development of a
27 condominium project in the Chicago Metropolitan area as to which he has received
28 back \$9,474.79 as distribution and delivered the sum of or approximate total sum of

1 \$165,392.00 for investment in the LUXURY DEVELOPMENT FUND.

2 20. Plaintiffs, Juan and Brenda Bettaglio, are individuals residing in Santa Clara
3 County, California, and are the trustees of the Bettaglio Family Trust, who delivered a
4 total sum of or approximate total sum of \$665,000.00 to intended for investments of
5 \$400,000.00 in the Project known as OC Chicago utilizing funds of the Bettaglio Family
6 Trust; \$65,000.00 for investment in the LUXURY DEVELOPMENT FUND utilizing the
7 funds of an IRA of which Juan Bettaglio is the beneficiary; and \$200,000.00 in the
8 investment vehicle referred to as SOLOMON TOWERS, LLC (in Arizona) utilizing the
9 funds of an IRA of which Juan Bettaglio is the beneficiary.

10 21. Plaintiffs, Mike and Renee Brogdon, are individuals residing in Santa Clara
11 County, California, who, in part being materially influenced by the urging and
12 statements of WILLIAM E. BUCHHOLZ and the position of trust and confidence existing
13 as a result of involvement with the FAMILY COMMUNITY CHURCH, delivered a total of
14 \$100,000.00 intended for investment in the project sometimes known as COLORADO
15 CONDO FUND utilizing funds that included \$14,000.00 of an IRA of which Mike
16 Brogdon is the beneficiary and \$19,500.00 of an IRA of which Renee Brogdon is a
17 beneficiary; and delivered a total of \$50,075.67 (\$7340.76 paid by check plus
18 \$42735.00 by rolling over the proceeds of prior investment in the project known as
19 Longview) for investment in the project generally referred to as Red Mountain/Gilbert or
20 Gilbert Office in Arizona and of which \$7,420.50 has been received back as distribution;
21 and delivered a total of \$75,000.00 (including funds of the Brogdon Family Trust) for
22 investment in the project generally referred to as Patriot Courtyards of which
23 \$19,737.00 has been received back as distribution; and delivered a total of \$75,000.00
24 (including funds of the Brogdon Family Trust) for investment in the project generally
25 referred to as Wailea of which received \$47,776.52 has been received back as
26 distribution.

27 22. Plaintiff, Diane Bryson, is an individual residing in Santa Clara County,
28 California, who delivered to a total of \$34,853.00 intended for investment in the project

1 known as COLORADO CONDO FUND utilizing funds of an IRA of which she is the
2 beneficiary

3 23. Plaintiff, James Bryson, is an individual residing in Santa Clara County,
4 California, who, in part being materially influenced by the urging and statements of
5 WILLIAM E. BUCHHOLZ and the position of trust and confidence existing as a result of
6 involvement with the FAMILY COMMUNITY CHURCH, initially delivered to the sum of
7 \$100,000.00 utilizing funds of an IRA of which he is the beneficiary and who, after
8 several distributions and reinvestment, has a net loss of investment in the sum of or
9 approximate sum of \$44,133.00 for investment in the project generally referred to as
10 Ray Ranch (Arizona).

11 24. Plaintiffs, Wayne and Candise Canto, are individuals residing in Santa Clara
12 County, California, who, in part being materially influenced by the urging and
13 statements of WILLIAM E. BUCHHOLZ and the position of trust and confidence existing
14 as a result of involvement with the FAMILY COMMUNITY CHURCH, delivered the sum
15 of \$100,000.00 for investment in a project generally referred to as Wailea Town Center
16 via and after receiving distributions totaling \$63,702.02 have a net loss on the
17 investment of \$36,297.98; delivered the sum of \$75,000.00 for investment in a project
18 generally referred to as Mesa Point; and delivered the sum of \$100,000.00 for
19 investment in a project generally referred to as Ray Ranch Plaza and after receiving
20 distributions totaling \$77,933.65 have a net loss on the investment of \$22,066.35.

21 25. Plaintiffs, Frank Carbajal and Megan Carbajal, are individuals residing in San
22 Joaquin County, California, who delivered \$82,000.00 for investment in the project
23 sometimes referred to OC Chicago.

24 26. Plaintiff, Kwei Choong, is an individual residing in Santa Clara County,
25 California, who, in part being materially influenced by the urging and statements of
26 WILLIAM E. BUCHHOLZ and the position of trust and confidence existing as a result of
27 involvement with the FAMILY COMMUNITY CHURCH, delivered to the sum of
28 \$50,000.00 for investment in the LUXURY DEVELOPMENT FUND (Arizona), and

1 \$100,134.00, of which \$74,134.00 constituted IRA funds for investment in the project
2 generally referred to as Colorado Condo Fund.

3 27. Plaintiff, Jason Colyar, is an individual residing in Santa Clara County,
4 California, who delivered \$50,000.00 for investment in Luxury Development Fund.

5 28. Plaintiff, Jim Coates, is an individual residing in Santa Clara County,
6 California, who delivered the sum of \$975,000.00 for investment in the project known as
7 OC Chicago.

8 29. Plaintiff, JKAT Properties, LLC, is a California limited liability company, of
9 which Plaintiff, Jim Coates is a manager, and which delivered the sum of \$250,000.00
10 for investment in the project known as Solomon Towers (Arizona).

11 30. Plaintiffs, Mark and Kathleen Delman, are individuals residing in Santa Clara
12 County, California, who, in part being materially influenced by the urging and
13 statements of WILLIAM E. BUCHHOLZ and the position of trust and confidence existing
14 as a result of involvement with the FAMILY COMMUNITY CHURCH, delivered the sum
15 of \$50,000.00 for investment in the LUXURY DEVELOPMENT FUND for use in a
16 project in Arizona.

17 31. Plaintiffs, Tim and Lori Gale, are individuals residing in Santa Clara County,
18 California, who delivered to the sum of \$200,000.00 for investment in the Luxury
19 Development Fund for a project in Arizona, and \$100,000.00 for investment in the
20 project known as Solomon Towers, LLC (Arizona).

21 32. Plaintiff, Eric Gold, is an individual residing in Santa Clara County, California,
22 who, in part being materially influenced by the urging and statements of WILLIAM E.
23 BUCHHOLZ and the position of trust and confidence existing as a result of involvement
24 with the FAMILY COMMUNITY CHURCH, delivered the sum of \$180,000.00 for
25 investment in the project sometimes known as OC Chicago.

26 33. Plaintiffs, Jack and Diane Greer, are individuals residing in Santa Clara
27 County, California, who delivered the sum of \$50,000.00 for investment in the project
28 generally known as St. Charles (Chicago) utilizing funds of an IRA of which Jack Greer

1 is the beneficiary, and \$50,000.00 for investment in the project generally referred to as
2 Scottsdale Lofts (Arizona) of which \$30,000.00 included funds of an IRA of which Jack
3 Greer is the beneficiary.

4 34. Plaintiffs, Jerry and Rhonda Hughes, are individuals residing in Santa Clara
5 County, California, who, in part being materially influenced by the urging and
6 statements of WILLIAM E. BUCHHOLZ and the position of trust and confidence existing
7 as a result of involvement with the FAMILY COMMUNITY CHURCH, delivered
8 \$50,000.00 for investment in LUXURY DEVELOPMENT FUND.

9 35. Plaintiff, Jeff Lawrence, is an individual residing in Santa Clara County,
10 California, who delivered \$34,000.00 for investment in the project sometimes known as
11 Scottsdale Lofts and \$200,000.00 for investment in the project sometimes known as the
12 Chicago Condo Fund.

13 36. Plaintiff, Tina McCraw, is an individual residing in Santa Clara County,
14 California, who delivered \$50,000.00 for investment in the project sometimes referred to
15 as Wailea and did so via her Pensco IRA.

16 37. Plaintiffs, Bruce and Deborah Meeker, are individuals residing in Santa
17 Clara County, California, who, in part being materially influenced by the urging and
18 statements of WILLIAM E. BUCHHOLZ and the position of trust and confidence existing
19 as a result of involvement with the FAMILY COMMUNITY CHURCH, delivered
20 \$200,054.00 for investment in LUXURY DEVELOPMENT FUND.

21 38. Plaintiffs, Matt and Julie Rogers, are individuals residing in Contra Costa
22 County, California, who a total of \$50,000.00 for investment in the project generally
23 referred to as Scottsdale Lofts (Arizona) (comprised of \$25,000 Invested from Sterling
24 Trust Co. Julie Rogers Sep-IRA account and \$25,000 Invested from cash account of
25 Matt & Julie Rogers).

26 39. Plaintiff, David Sams, is an individual residing in Alameda County, California,
27 who delivered \$145,000.00 for investment in a project in Erie, Colorado.

28 40. Plaintiff, Cynthia Semenoff, is an individual residing in Santa Clara County,

1 California, who delivered funds for the project in Gilbert, Arizona and has suffered
2 a net loss thereon of \$15,711.00, delivered \$25,000.00 for investment based on the
3 project in Mesa Point, Arizona, delivered funds for the project sometimes referred to as
4 Chicago Condo Fund and has suffered a net loss thereon of \$27,895.00, and delivered
5 \$200,100.00 for investment in the LUXURY DEVELOPMENT FUND.

6 41. Plaintiffs, Brian and Debra Starr, (and in combination and for their "silent
7 partner" Juan Bettaglio) delivered \$200,000.00 for investment in the project sometimes
8 referred to as OC Chicago.

9 42. Plaintiff, Jeffrey Steele, is an individual residing in Santa Clara County,
10 California, who delivered \$24,000.00 for investment in the project sometimes referred to
11 as Mesa Point and did so via his Pensco IRA.

12 43. Plaintiff, Nicole Steele, is an individual residing in Santa Clara County,
13 California, who delivered \$8,000.00 for investment in the project sometimes referred to
14 as Mesa Point and did so via her Pensco IRA.

15 44. Plaintiff, Laura Steele, is an individual residing in Santa Clara County,
16 California, who delivered \$8,000.00 for investment in the project sometimes referred to
17 as Mesa Point and did so via her Pensco IRA.

18 45. Plaintiffs, Len and Jan Turner, are individuals residing in Murfreesboro,
19 Tennessee, who delivered \$25,000.00 for investment based on the project in Mesa
20 Point, Arizona, and delivered funds for the project sometimes referred to as Wailea and
21 has suffered a net loss thereon of \$36,298.00.

22 46. Plaintiffs, Irvin and Yolanda Urbanski, are individuals residing in Santa Clara
23 County, California, who, in part being materially influenced by the urging and
24 statements of WILLIAM E. BUCHHOLZ and the position of trust and confidence existing
25 as a result of involvement with the FAMILY COMMUNITY CHURCH, delivered funds
26 for investment in the LUXURY DEVELOPMENT FUND and have suffered a net loss
27 thereon of \$400,315.00 and delivered funds for investment in the project sometimes
28 referred to as Patriot Courtyards and have suffered a net loss thereon of \$66,316.00.

1 47. Plaintiff, Kathy Ury, is an individual residing in San Mateo County, California,
2 who delivered funds for investment in the project sometimes referred to as Gilbert Office
3 and has suffered a net loss thereon of \$17,854.00, \$25,000.00 for investment in the
4 project sometimes referred to as Mesa Point, and \$53,655.00 for investment in the
5 project sometimes referred to as Colorado Condo Fund.

6 48. Plaintiff, Mark Van Buhler, is an individual residing in Santa Clara County,
7 California, who delivered \$200,000.00 for investment in the LUXURY DEVELOPMENT
8 FUND.

9 49. Plaintiffs, Bob and Nancy Winger, are individuals residing in Santa Clara
10 County, California, who, in part being materially influenced by the urging and
11 statements of WILLIAM E. BUCHHOLZ and the position of trust and confidence existing
12 as a result of involvement with the FAMILY COMMUNITY CHURCH, delivered
13 \$52,000.00 for investment in the project sometimes referred to as Mesa Point,
14 \$200,000.00 for investment in the project sometimes referred to as Colorado Condo
15 Fund, \$30,000.00 for investment in the project sometimes referred to as Solomon
16 Towers, delivered funds for investment in the project sometimes referred to as Ray
17 Ranch and have suffered a net loss thereon of \$22,066.00, and delivered funds for
18 investment in the project sometimes referred to as Patriot Courtyards and have suffered
19 a net loss thereon of \$155,474.00.

20 50. Plaintiff, James Wong, is an individual residing in Santa Clara County,
21 California, who delivered \$50,000.00 for investment in the project sometimes referred to
22 as Scottsdale Lofts, delivered \$46,000.00 for investment in the in the LUXURY
23 DEVELOPMENT FUND, \$100,000.00 for investment in pursuits sometimes referred to
24 as Erie Fund, and \$25,000.00 for investment in the project sometimes referred to as
25 Colorado Condo Fund.

26 51. Plaintiff, Charlin Yen, is an individual residing in Santa Clara County,
27 California, who delivered \$25,000.00 for investment in the in the LUXURY
28 DEVELOPMENT FUND.

1 52. The amounts alleged above as to each Plaintiff reflect the current losses of
2 each which, collectively, total approximately \$6.9 million.

3 53. On information and belief, Defendant, RONALD BUCHHOLZ
4 ("BUCHHOLZ"), is, and at all times relevant, purported to be a citizen of Nevada, but
5 also resided in and conducted business in Santa Clara County, California.

6 54. On information and belief, Defendant, CHARISE FISCHER, formerly known
7 and a.k.a., Charise Buchholz ("FISCHER") is, and at all times relevant, purported to be
8 a citizen of Nevada, but also resided in and conducted business in Santa Clara County,
9 California.

10 55. On information and belief, Defendant, SOLOMON CAPITAL, LLC,
11 ("SOLOMON CAPITAL") is a Nevada limited liability company, that maintained an office
12 at 20 Great Oaks Blvd., Suite 230, San Jose, California. SOLOMON CAPITAL, in
13 connection with Defendants RONALD BUCHHOLZ and Charise FISCHER, was an
14 issuer of the unqualified securities for investment procured by the Plaintiffs herein.

15 56. On information and belief, Defendant JONATHON VENTO ("VENTO"), is,
16 and at all times relevant was, a citizen of Arizona. Defendant VENTO, at all times
17 relevant was, a resident of Maricopa County, Arizona, and exercised a position of
18 control over other defendants including, but not necessarily limited to, GRACE
19 CAPITAL, LLC, dba GRACE COMMUNITIES, a Arizona limited liability company,
20 VENTO INVESTMENTS, LLC, an Arizona limited liability (sometimes also referred to
21 herein as "VI"), and the VENTO FAMILY TRUST.

22 57. On information and belief, Defendant DONALD ZELEZNAK ("ZELEZNAK"),
23 is, and at all times relevant was, a citizen of the State of Arizona and a resident of
24 Washoe County, Nevada, and exercised a position of control over other defendants
25 including, but not necessarily limited to, GRACE CAPITAL, LLC, dba GRACE
26 COMMUNITIES, a Arizona limited liability company, and ZELEZNAK PROPERTY
27 MANAGEMENT, LLC dba KELLER WILLIAMS REALTY, (sometimes also referred to
28 herein as "ZPM") an Arizona limited liability company.

1 58. Defendant Z-LOFT, LLC, is an Arizona limited liability company (sometimes
2 also referred to herein as "Z-LOFT"), with its principal place of business in Maricopa
3 County, Arizona. Z-LOFT, in connection with Defendants SOLOMON CAPITAL, RDB
4 DEVELOPMENT, BUCHHOLZ, FISCHER, ZELEZNAK, ZPM, VENTO, and GRACE
5 CAPITAL materially assisted Defendants to perpetrate the fraudulent Enterprise
6 discussed herein upon the Plaintiffs for the purchase and sale transactions for property
7 for an over-inflated and above fair market value price.

8 59. Defendant GRACE CAPITAL, LLC dba GRACE COMMUNITIES is an
9 Arizona limited liability company (sometimes also referred to herein as "GRACE"), with
10 its principal place of business in Maricopa County, Arizona. GRACE CAPITAL, in
11 connection with Defendants SOLOMON CAPITAL, RDB DEVELOPMENT,
12 BUCHHOLZ, FISCHER, ZELEZNAK, Z-LOFT, ZPM, and VENTO, materially assisted
13 Defendants to perpetrate the fraudulent Enterprise discussed herein upon the Plaintiffs
14 for the purchase and sale transactions for property for a grossly over-inflated and above
15 fair market value price.

16 60. Defendant ZELEZNAK PROPERTY MANAGEMENT, LLC, also dba KELLER
17 WILLIAMS REALTY (sometimes also referred to herein as "ZPM"), is an Arizona limited
18 liability company, with its principal place of business at 10101 N. 92nd St., # 101,
19 Scottsdale, Maricopa County, Arizona. ZPM, in connection with Defendants including,
20 but not necessarily limited to, SOLOMON CAPITAL, RDB DEVELOPMENT,
21 BUCHHOLZ, FISCHER, ZELEZNAK, Z-LOFT, VENTO, and GRACE CAPITAL, was the
22 responsible broker for the agent ZELEZNAK and materially assisted Defendants to
23 perpetrate the fraudulent Enterprise discussed herein upon the Plaintiffs for the
24 purchase and sale transactions for property for an over-inflated and above fair market
25 value price.

26 61. Defendant, RDB DEVELOPMENT, LLC, is a limited liability company
27 (sometimes also referred to herein as "RDB"), with its principal place of business at 19
28 Avenida Sorrento, Henderson, Clark County, Nevada. RDB DEVELOPMENT, in

1 connection with Defendants including, but not necessarily limited to, SOLOMON
2 CAPITAL, BUCHHOLZ, FISCHER, ZELEZNAK, Z-LOFT, ZPM, VENTO, and GRACE
3 CAPITAL, materially assisted Defendants to perpetrate the fraudulent Enterprise
4 discussed herein upon the Plaintiffs for the purchase and sale transactions for property
5 for an over-inflated and above fair market value price. Based on information and belief,
6 Defendants BUCHHOLZ and FISCHER diverted undisclosed funds from the Solomon
7 Towers project and others to RDB DEVELOPMENT for their own personal use to the
8 detriment of Plaintiffs herein.

9 62. Defendant, KELLER WILLIAMS REALTY, INC., is a Texas corporation
10 (sometimes also referred to herein as "KWR"), with its principal place of business in
11 Austin, Travis County, Texas. KELLER WILLIAMS is vicariously liable for the actions of
12 its franchisee, ZPM, which materially assisted Defendants to perpetrate the fraudulent
13 Enterprise discussed herein upon the Plaintiffs for the purchase and sale transactions
14 for property for an over-inflated and above fair market value price.

15 63. On information and belief, Defendant, ZELTOR, LLC, a Nevada limited
16 liability company (sometimes also referred to herein as "ZELTOR"), that materially
17 assisted Defendants to perpetrate the fraudulent Enterprise discussed herein upon the
18 Plaintiffs including, but not necessarily limited to, purchase and sale transactions for
19 property for an over-inflated and above fair market value price and diversion of funds.

20 64. On information and belief, Defendant, RNC HOLDINGS, LLC, a Nevada
21 limited liability company (sometimes also referred to herein as "RNC"), that materially
22 assisted Defendants to perpetrate the fraudulent Enterprise discussed herein upon the
23 Plaintiffs including, but not necessarily limited to, purchase and sale transactions for
24 property for an over-inflated and above fair market value price and diversion of funds
25 and was managed by Defendants BUCHHOLZ and FISCHER.

26 65. Defendant, LUXURY DEVELOPMENT FUND, LLC, a Delaware limited
27 liability company (sometimes also referred to herein as "LDD"), was an entity used by
28 Defendants in conjunction with the Enterprise to raise funds and materially assist

1 Defendants to perpetrate the fraudulent Enterprise discussed herein upon the Plaintiffs
2 for the purchase and sale transactions of property for an over-inflated and above fair
3 market value price and diversion of funds and was managed by Defendants
4 BUCHHOLZ and FISCHER.

5 66. Defendant, EQUITY ENTERPRISES, INC., a California corporation
6 (sometimes also referred to herein as "EEI"), was an entity used by Defendants in
7 conjunction with the Enterprise to raise funds and materially assist Defendants to
8 perpetrate the fraudulent Enterprise discussed herein upon the Plaintiffs for the
9 purchase and sale transactions of property for an over-inflated and above fair market
10 value price and diversion of funds and was controlled by Defendants BUCHHOLZ and
11 FISCHER.

12 67. Defendant, EQUITY ENTERPRISES-NEVADA, INC., a Nevada corporation
13 (sometimes also referred to herein as "EENI"), was an entity used by Defendants in
14 conjunction with the Enterprise to raise funds and materially assist Defendants to
15 perpetrate the fraudulent Enterprise discussed herein upon the Plaintiffs for the
16 purchase and sale transactions of property for an over-inflated and above fair market
17 value price and diversion of funds and was controlled by Defendants BUCHHOLZ and
18 FISCHER.

19 68. Defendant, EQUITY ENTERPRISE MANAGEMENT, INC., (sometimes also
20 referred to herein as "EEM") was an entity used by Defendants in conjunction with the
21 Enterprise to materially assist Defendants to perpetrate the fraudulent Enterprise
22 discussed herein upon the Plaintiffs for the purchase and sale transactions of property
23 for an over-inflated and above fair market value price and diversion of funds and was
24 controlled by Defendants BUCHHOLZ and FISCHER.

25 69. Defendant, ALABANZA, INC., formerly a California corporation was an entity
26 used by Defendants, primarily FISCHER, in conjunction with the Enterprise to materially
27 assist Defendants to perpetrate the fraudulent Enterprise discussed herein upon the
28 above fair market value price and diversion of funds, and receipt of kickbacks.

1 70. Defendant, VENTO INVESTMENTS, LLC, an Arizona limited liability, was an
2 entity used by Defendants in conjunction with the Enterprise to materially assist
3 Defendants to perpetrate the fraudulent Enterprise discussed herein upon the Plaintiffs
4 for the purchase and sale transactions of property for an over-inflated and above fair
5 market value price and diversion of funds and was controlled by Defendant, VENTO.

6 71. Defendant, VENTO FAMILY TRUST was used by one or more of the
7 individual and/or other Defendants in conjunction with the Enterprise to materially assist
8 Defendants to perpetrate the fraudulent Enterprise discussed herein upon the Plaintiffs
9 primarily in conjunction with the purchase and sale transactions of property for an
10 over-inflated and above fair market value price and diversion of funds and was
11 controlled by Defendant, VENTO.

12 72. Defendant, WILLIAM E. BUCHHOLZ is pastor of the FAMILY COMMUNITY
13 CHURCH, a California corporate entity, who utilized his position of faith, confidence and
14 trust to induce and entice some of the plaintiffs, as members of the church, to invest
15 funds with his son, Defendant, RONALD BUCHHOLZ, in some instances promising that
16 church members who did so would be relieved of their obligation to tithe. Plaintiffs are
17 informed and believed that Defendant, WILLIAM E. BUCHHOLZ, and Defendant,
18 FAMILY COMMUNITY CHURCH, knowingly engaged in transactions with one or more
19 of the other Defendants for direct and indirect benefit of the church and did so on terms
20 and conditions that manifest furtherance of the Enterprise and breach of duties of faith,
21 trust and confidence owed to church members, and that such acts were done by
22 Defendant, WILLIAM E. BUCHHOLZ, within the scope of his employment or agency
23 with or of the church.

24 73. Defendant, FAMILY COMMUNITY CHURCH, a California corporate entity
25 (sometimes also referred to herein as "FCC"), of which Defendant, WILLIAM E.
26 BUCHHOLZ is pastor and is, at a minimum, vicariously liable for the acts of WILLIAM
27 E. BUCHHOLZ, the acts of the pastor being those of an employee and/or managing
28 agent, if not in fact those of an officer or director.

1 74. Plaintiffs are informed and believe and thereon allege that Defendant, GUY
2 BERRY (sometimes also referred to herein as "BERRY"), was held out by SOLOMON
3 CAPITAL as the person responsible for "legal and compliance" and that if true, the
4 Enterprise was furthered by GUY BERRY.

5 75. Plaintiffs do not know the true names of Defendants DOES 1 through 100
6 and therefore sue them by those fictitious names. Plaintiffs are informed and believe
7 and on that basis allege, that at all times mentioned in this complaint, DOES 1 through
8 100 were the agents and employees of their co-Defendants, and in performing the acts
9 and omissions alleged in this complaint were acting within the course and scope of that
10 agency and employment.

11 12 IV. FACTUAL ALLEGATIONS

13 14 A. Defendants' Alleged Real Estate Investment Company

15
16 76. Defendants BUCHHOLZ and FISCHER are members of the Family
17 Community Church (hereinafter "Church") located at 478 Piercy Road, San Jose,
18 California. William Buchholz, who is Defendants BUCHHOLZ and FISCHER's father, is
19 the Senior Pastor for the Church.

20 77. According to the SOLOMON CAPITAL website located at
21 <http://www.solomoncap.com>, BUCHHOLZ is the President of Defendant SOLOMON
22 CAPITAL. Defendant FISCHER is both a principal and the Chief Financial Officer of
23 Defendant SOLOMON CAPITAL. Based on information and belief, BUCHHOLZ,
24 FISCHER, and SOLOMON CAPITAL market and advertise themselves as experts in
25 the context of real estate investing.

26 78. Plaintiffs allege on information and belief that SOLOMON CAPITAL is an
27 investment group associated with RDB DEVELOPMENT and EQUITY ENTERPRISES,
28 INC., LUXURY DEVELOPMENT FUND, and others. Defendants BUCHHOLZ and

1 FISCHER founded Equity Enterprises, Inc., as a predecessor to SOLOMON CAPITAL.
2 BUCHHOLZ is the President of both entities. SOLOMON CAPITAL, BUCHHOLZ,
3 FISCHER, LUXURY DEVELOPMENT FUND, and EQUITY ENTERPRISES, INC.,
4 acted as the "issuers" of the unqualified securities to the Plaintiff investors.

5 79. Defendants BUCHHOLZ, FISCHER and SOLOMON CAPITAL derive their
6 income through investment activities on behalf of themselves and others, some of who
7 they met through their relationship with the Church. Based on information and belief,
8 BUCHHOLZ, FISCHER and SOLOMON CAPITAL market and advertise themselves as
9 experts in the context of real

10 80. Based on information and belief, Defendants BUCHHOLZ' father, William
11 Buchholz, repeatedly recommended that the parishioners of his Church invest with his
12 son and daughter, Defendants BUCHHOLZ and FISCHER, and their "investment
13 company," SOLOMON CAPITAL. At times, Pastor Buchholz made statements directly
14 to his congregation from the "pulpit" encouraging them to invest with his son and
15 daughter and at times stated that those who did so would be relieved of their obligations
16 to tithe.

17 81. Defendants BUCHHOLZ, FISCHER, and SOLOMON CAPITAL secured
18 investments from Plaintiffs in numerous different investment vehicles, including raw land
19 developments and acquisition and development projects. The investor funds were
20 placed in different positions within the project inclusive of debt and equity positions.

21 82. In each case for each alleged investment, Defendants BUCHHOLZ,
22 FISCHER and SOLOMON CAPITAL received a "developer fee" of the amount raised
23 and invested, and structured investments in such a fashion that one or more defendants
24 would directly and/or indirectly retain control. Based on information and belief,
25 Defendants BUCHHOLZ, FISCHER, and SOLOMON CAPITAL were also to receive a
26 percentage of any profit earned from the investment projects and, in some, FISCHER
27 undertook to demand and receive kickbacks from contractors and/or out of sales.

28 83. Based on information and belief, Defendants BUCHHOLZ, FISCHER, and

1 SOLOMON CAPITAL also took undisclosed "kick backs" from third parties in
2 connection with the purchase, sale, and alleged development of SOLOMON CAPITAL
3 investment projects to the detriment of the Plaintiff investors.

4 84. Based on information and belief, Defendants BUCHHOLZ, FISCHER, and
5 SOLOMON CAPITAL have taken approximately hundreds of thousands, if not millions,
6 of dollars for "developer fees" from the various projects to the detriment of the Plaintiff
7 investors.

8 85. Based on information and belief, Defendants BUCHHOLZ, FISCHER, and
9 SOLOMON CAPITAL moved or transferred the investments of the Plaintiff investors to
10 additional projects without their consent and encumbered the projects with additional
11 debt without the consent of the Plaintiff investors.

12 86. Based on information and belief, Defendants BUCHHOLZ, FISCHER, and
13 SOLOMON CAPITAL have improperly commingled the investor funds with their own
14 and with those of the other investors and other entities controlled by them.

15 87. Based on information and belief, Defendants BUCHHOLZ and FISCHER
16 diverted undisclosed funds from the multiple projects to entities controlled by them for
17 their own personal use and without fair value given therefore to the detriment of
18 Plaintiffs herein.

19 20 **B. EQUITY ENTERPRISES PROJECTS**

21
22 88. Defendants, BUCHHOLZ, FISCHER, and SOLOMON CAPITAL controlled
23 EQUITY ENTERPRISES, INC., a California corporation, and EQUITY ENTERPRISES-
24 NEVADA, INC., a Nevada corporation, and through these and other entities, undertook
25 to raise investor money in various projects. Touting SOLOMON CAPITAL "as a solution
26 for real estate investors that want to maximize their upside profit potential and earn the
27 returns that are available to savvy investors, while minimizing risk through partnership
28 with knowledgeable practitioners..." and "relationships with real estate brokers,

1 developers, general contractors, financial institutions and consultants nationwide”
2 BUCHHOLZ and FISCHER sought investors for various projects in which one or more
3 of the EQUITY ENTERPRISE retained control and ability to siphon funds and in
4 furtherance of the Enterprise.

5 89. Defendants, BUCHHOLZ, FISCHER undertook to form EEI-WAILEA TOWN
6 CENTER, LLC, a California limited liability company, to seek investors for a project
7 referred to by Defendants as “Wailea Town Center” and structured EEI-WAILEA
8 TOWN CENTER, LLC, with EQUITY ENTERPRISES, INC., retaining control as
9 manager.

10 90. Defendants, BUCHHOLZ, FISCHER undertook to form EEI-RAY RANCH,
11 LLC, with the manager being EQUITY ENTERPRISES, INC., for project referred to by
12 Defendants as “Ray Ranch” in Scottsdale, Arizona. As part of this project, Defendants
13 created a series of other entities controlled by Defendants, the full nature and extent of
14 which is not now known, but is believed to have included giving and receiving of deeds
15 on terms and conditions misrepresented to investors and/or concealing from investors
16 transactions which Defendants had a duty to disclose.

17 91. Defendants, BUCHHOLZ, FISCHER undertook to form EENI-MESA POINT,
18 LLC, for a project referred to by Defendants as “Mesa Point” in Arizona, with EQUITY
19 ENTERPRISES-NEVADA, INC., as manager and of which RON BUCHHOLZ was
20 President. At one point with the project looking as though it would be profitable,
21 investors were solicited and misrepresentations made to induce members to transfer
22 their interest back for unsecured promissory notes. During the time this project and
23 property was controlled by Defendants, it was renamed and re-sold to other investor
24 groups.

25 92. Defendants undertook a project referred to as Osborn Commons in
26 Scottsdale, Arizona. For this project, a series of entities were formed, always with
27 Defendants remaining in control so as to be able to sell the property at a grossly inflated
28 price compared to the represented acquisition price, and siphon virtually any and all of

1 investor funds. Defendants first formed EQUITY ENTERPRISES, LLC, which took an
2 interest in another entity formed by Defendants, EENI-Scottsdale Lofts, LLC, a
3 Delaware limited liability company, of which Osborn Commons Investors, LLC, an
4 Arizona limited liability company regarding Osborn Commons in Scottsdale, Arizona,
5 took an interest and retained control by having ZELTOR, LLC, act as manager. an entity
6 of which Defendant was ZELEZNAK was a principal in addition to Defendant, VENTO
7 FAMILY TRUST acting as manager of Osborn Commons Project.

8 93. Through EQUITY ENTERPRISES-NEVADA, INC., of which RON
9 BUCHHOLZ was President, Defendants formed EENI-GILBERT OFFICE, LLC, a
10 Nevada limited liability company, for a project referred to by Defendants as "Red
11 Mountain" in which Defendants purloined revenue, inflated and misrepresented land
12 cost and siphoned investor funds as part of the purported sale to EENI-GILBERT
13 OFFICE, LLC.

14 94. Defendants formed EENI-PATRIOT COURTYARDS, LLC, a Delaware
15 limited liability company for a project referred to as Patriot Courtyards in Glenview,
16 Illinois, and retained control via EQUITY ENTERPRISES-NEVADA, INC., acting as
17 manager and of which BUCHHOLZ was President.

18 95. Defendants formed EENI-ST. CHARLES OFFICE INVESTORS, LLC a
19 Nevada limited liability company, for a project referred to by Defendants as "St. Charles"
20 in St. Charles, Illinois. Defendants purloined revenue, inflated land sale cost and sale
21 price and were able to pocket ill gotten gains by having EQUITY ENTERPRISES-
22 NEVADA, INC., act as manager. After investor funds were siphoned and by
23 misrepresentation as to the status of the project, BUCHHOLZ undertook to have
24 investors assume the position of EQUITY ENTERPRISES-NEVADA, INC.

25 96. BUCHHOLZ and FISCHER formed EENI - Patriot Courtyards, LLC, a
26 Delaware limited liability company, with EQUITY ENTERPRISES-NEVADA, INC., to act
27 as manager, for the purpose of obtaining investment money for a project known as
28 Patriot Courtyards (in Chicago) intended as a 10 building office condo complex.

1 Defendants used this vehicle and project to obtain secret profits primarily by
2 misrepresentation of land cost, the taking of fees without intention of performing
3 services of fair value, and retention of an interest with giving fair value.

4 97. BUCHHOLZ and FISCHER formed EEI - Wailea Town Center, LLC, for a
5 project known as Wailea Town Center and for the purpose of obtaining investment
6 money. Defendants used this vehicle and project to obtain secret profits primarily by
7 misrepresentation of land cost, the taking of fees without intention of performing
8 services of fair value, and retention of an interest with giving fair value.

9 98. BUCHHOLZ and FISCHER formed EEI-Ray Ranch, LLC, and Ray Road
10 Office Investors, LLC, an Arizona limited liability company, for a project known as Ray
11 Ranch or Ray Ranch Professional Plaza. Defendants used this vehicle and project to
12 obtain secret profits primarily by misrepresentation of land cost, the taking of fees
13 without intention of performing services of fair value, and retention of an interest without
14 giving fair value.

15 99. In all of the above scenarios, Defendants engaged in one or more of the
16 following actionable activities:

- 17 a. Misrepresenting the original acquisition cost for property so as to be able to
18 sell it to the entity in which investors had acquired an interest so as to be
19 able to siphon the "profit";
- 20 b. By taking unconscionable fees for services never intended to be rendered,
21 most often couched as "developer fees";
- 22 c. Retaining an interest in and management control of the entity or entities
23 formed as devices for investment money in a particular project thereby
24 incurring a fiduciary responsibility to other members, a responsibility wilfully
25 ignored with disdain by Defendants;
- 26 d. By structuring transactions with fees and/or commissions in the nature or
27 realtor compensation at unconscionable levels, sometimes as high as 20%;

28 ///

- 1 e. By purchasing or optioning land in their own names and/or through entities
2 controlled by them and then selling to the investor entity at grossly inflated
3 prices;
- 4 f. After acquiring property and siphoning unconscionable amounts of money
5 by improper means, engaging in a series of misrepresentations as to the
6 ongoing status of projects so as to create situations to pressure investors
7 for additional infusion of cash under threat of loss of original investment or
8 falsely creating an excuse for folding up a project with minimal or no return
9 to investors.

10 11 C. ERIE LAND FUND PROJECTS

12
13 100. Defendants created a number of entities for purported investment
14 opportunities in Colorado primarily a project referred to as the "Erie Project" in Erie,
15 Colorado.

16 101. Defendants created ERIE DEVELOPMENT PARTNERS, LLC, a Colorado
17 limited liability company of which BUCHHOLZ and FISCHER were the initial managers
18 and raised money by issuing promissory notes to investors. The actual maker on the
19 notes was ERIE LAND FUND, LLC, an entity controlled by Defendant, RDB, and an
20 entity which in and of itself had no direct interest in the project nor assets sufficient to
21 stand behind the notes, the only source of repayment being Defendants ability to siphon
22 funds in an improper manner.

23 102. Defendants, BUCHHOLZ and FISCHER, then formed COLORADO
24 INVESTMENT GRP, LLC, a Colorado limited liability company, which they controlled
25 as managers. As part of the purported sale and transfer of interest in the property and
26 project and by gross misrepresentation as to acquisition and other costs, Defendants,
27 BUCHHOLZ and FISCHER were able to siphon extraordinary sums of money when
28 they arranged for assignment of interests to ERIE LAND FUND, LLC.

1 103. In addition and on information and belief, Plaintiffs allege that the name of
2 this project was change to Sierra Vista so as to facilitate what was represented to be a
3 legitimate sale, but was in fact part of a concocted sale arranged so as to be able to
4 siphon secret profits.

5 104. Defendants used this vehicle to perpetrate similar frauds upon investors in
6 projects and entities known as Main Street Commons, and COURTYARDS AT
7 BRIARGATE, LLC, involving a project known as the Courtyards at Briargate in Colorado
8 Springs.

9 10 **D. LUXURY DEVELOPMENT FUND**

11
12 105. Defendants BUCHHOLZ and FISCHER created LUXURY DEVELOPMENT
13 FUND, LLC, a Delaware limited liability company, to raise funds by issuance of
14 promissory notes, many on the basis of fraudulently represented security, purportedly
15 for use "to provide mezzanine financing in connection with real estate development
16 projects ..." with regard to projects identified and referred to by Defendants as "44
17 Monroe" in Phoenix Arizona, "Portales Place" in Scottsdale, Arizona, office
18 condominiums in Chicago, as well as other unidentified projects.

19 106. Plaintiffs are informed and believe that funds raised were used to inject
20 funds into other projects controlled by Defendants as purported mezzanine financing,
21 without full and complete disclosure, to take repayment at exorbitant and usurious rates
22 from the entities and projects controlled by Defendants, first to the projects involving OC
23 INVESTORS, LLC, and this being one of the means whereby Defendants undermined
24 other projects for personal gain.

25 26 **E. ARIZONA PROJECTS**

27
28 107. Defendants engaged in multiple similar activities regarding purported

1 projects located in Arizona.

2 108. Defendants formed SOLOMON TOWERS, LLC, a Nevada limited liability
3 company, with RON BUCHHOLZ managing member, for a project commonly referred to
4 as Solomon Towers.

5 109. In or around February of 2005 and at other times, SOLOMON CAPITAL
6 presented the Solomon Towers, LLC, high rise condominium investment ("Solomon
7 Towers project") opportunity to Plaintiffs, including Pro Forma Financials. There was no
8 Private Placement Memorandum or similar information.

9 110. Defendant ZELEZNAK was represented as an active participant and was
10 physically present during some of the presentations to potential investors. ZELEZNAK
11 also acted as the buyer's broker for the purchase of the Solomon Towers property.

12 111. In March of 2005, the investors began executing an Operating Agreement
13 with Solomon Towers, LLC. The Operating Agreement included 18 initial members who
14 contributed a total of \$4,169,400.00 . Further, the Operating Agreement included 13
15 loans made to Solomon Towers, LLC, totaling \$840,600.00. Accordingly, the total of
16 initial payments to Solomon Towers, LLC, were \$5,010,000.00.

17 112. As part of the Operating Agreement, Defendants BUCHHOLZ, FISCHER,
18 and SOLOMON CAPITAL, as managers of Solomon Towers, LLC, agreed, among
19 other things, to use company funds only to further the purposes of the company, not to
20 commingle the funds with their own or others' funds, not to knowingly perform any act
21 that contravened the Operating Agreement or was inconsistent with the purposes of the
22 company, and to keep accurate books and records for the company.

23 113. The investments sold by the Plaintiff investors qualify as "securities"
24 pursuant to California Corporations Code § 25019. Defendants BUCHHOLZ,
25 FISCHER, and SOLOMON CAPITAL qualify as the "broker-dealers" and "issuers" of
26 the securities pursuant to California Corporations Code §§ 25004 and 25010.

27 114. Based on information and belief, Defendants BUCHHOLZ, FISCHER, and
28 SOLOMON CAPITAL have neither qualified for nor exempted themselves from

1 qualification of the "securities" in accordance with California Corporations Code §
2 25110.

3 115. The potential investors approached by Defendants BUCHHOLZ and
4 FISCHER were unsophisticated real estate investors and relied upon the
5 representations of Defendants BUCHHOLZ and FISCHER. The risks associated with
6 the investments were not explained to the Plaintiff investors, who relied upon
7 Defendants BUCHHOLZ, FISCHER, and SOLOMON CAPITAL in making their
8 investment decisions. The reliance of the Plaintiff investors upon the representations,
9 information and promises by Defendants BUCHHOLZ, FISCHER, and SOLOMON
10 CAPITAL was justified based upon Defendants' fiduciary role and purported
11 experience.

12 116. Plaintiff investors had no say or control over their funds, the nature or types
13 of positions in which they were placed, the expenditure of the funds for development
14 projects, or the administration of the funds.

15 117. Plaintiff investors had no say or control over the additional investors or
16 members that were chosen by Defendants BUCHHOLZ, FISCHER, and SOLOMON
17 CAPITAL as their ostensible "partners" in the Solomon Towers project.

18 118. Defendants SOLOMON CAPITAL, BUCHHOLZ, and FISCHER, as the
19 principals of the company, acted as the managing members for the Solomon Towers
20 project. Defendants SOLOMON CAPITAL, BUCHHOLZ, and FISCHER, therefore, held
21 fiduciary duty obligations to the Plaintiff investors that were breached pursuant to the
22 fraudulent Enterprise and acts set forth herein.

23 119. Soho Lofts, LLC was owned and managed by ZELEZNAK. On July 25,
24 2002, Soho Lofts purchased property located at 625-643 N. 2nd Avenue, Phoenix, AZ
25 (hereinafter referred to as "the Property") from Core Builders, Inc. for \$392,000.00.
26 According to tax records, the square footage of the Property is 28,000 square feet.
27 Thus, the cost for this transaction was \$14.00 per square foot.

28 120. On August 17, 2004, Soho Lofts, LLC changed its name to Z-LOFT, LLC.

1 On April 11, 2005, Z-LOFT, in connection with GRACE CAPITAL, sold the
2 Property to SOLOMON TOWERS, LLC for \$5,004,929.00. The cost per square foot for
3 this transaction was approximately \$178.75 per square foot. Based on information and
4 belief, the actual market rate for the land from February to March of 2005 was
5 approximately \$33.19 per square foot.

6 121. Based on information and belief, the Plaintiff investors allege that
7 Defendants BUCHHOLZ, FISCHER, and SOLOMON CAPITAL shared in the
8 distribution of ill-gotten gains from the "pump and dump" transaction to the detriment of
9 the Plaintiff investors.

10 122. As the President and Chief Financial Officers of SOLOMON CAPITAL and
11 the managing partners of Solomon Towers, LLC, Defendants BUCHHOLZ, FISCHER,
12 and SOLOMON CAPITAL held fiduciary duties to the Plaintiff investors that were
13 breached in connection with the "pump and dump" transaction to the detriment of the
14 Plaintiff investors. Defendants BUCHHOLZ, FISCHER, and SOLOMON CAPITAL
15 knew, or should have known, that the price paid for the land was more than five times
16 its fair market value and nearly thirteen times the cost to Z-LOFT and ZELEZNAK, that
17 the inflated purchase price benefitted Defendants personally to the detriment of Plaintiff
18 investors, and constituted a breach of Defendants' fiduciary duties to the Plaintiff
19 investors.

20 123. Based on information and belief, Plaintiffs allege that Defendants
21 ZELEZNAK, Z-LOFT, ZPM, VENTO, and GRACE CAPITAL all profited on the
22 over-inflated and above market "pump and dump" sale to the detriment of the Plaintiff
23 investors. Defendants ZPM and ZELEZNAK received a commission on the sale of the
24 Property of \$1,000,000.00 (one million dollars.) This commission rate is equivalent to a
25 20% (twenty-percent) commission, which far exceeds the prevailing market rate of 5%
26 to 6% for sales transactions involving raw land. The HUD-1 Closing Statement for the
27 purchase and sale transaction sets forth the payment of the commission of
28 \$1,000,000.00 (one million dollars) to Defendants ZELEZNAK and ZPM.

1 124. The implications of this commission for the sale of the Property support the
2 conclusion that Defendants ZPM and ZELEZNAK knowing and materially aided and
3 assisted Defendants BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RDB
4 DEVELOPMENT, ZELEZNAK, Z-LOFT, ZPM, VENTO, and GRACE CAPITAL to
5 perpetrate the fraudulent Enterprise as discussed herein against the Plaintiffs. The
6 implications of the over-inflated and above market commission for the sale of the
7 Property from Defendants Z-LOFT, GRACE CAPITAL, VENTO and ZELEZNAK to the
8 Plaintiffs supports the conclusion that Defendants BUCHHOLZ, FISCHER, SOLOMON
9 CAPITAL, RDB DEVELOPMENT, ZELEZNAK, Z-LOFT, ZPM, VENTO, and GRACE
10 CAPITAL knowingly and materially aided and assisted in an Enterprise to perpetrate the
11 fraud as discussed herein against the Plaintiffs.

12 125. Based on information and belief, Defendants VENTO and GRACE
13 CAPITAL received a commission, "kick back", or distribution of the ill gotten proceeds
14 from the "pump and dump" transaction described herein and participated in the
15 fraudulent Enterprise described herein upon the Plaintiff investors to their benefit and to
16 the detriment of the Plaintiff investors.

17 126. Based on information and belief, Defendants BUCHHOLZ, FISCHER, and
18 SOLOMON CAPITAL also profited from the over-inflated and above market "pump and
19 dump" sale to the detriment of the investors. Moreover, based on information and
20 belief, Defendants BUCHHOLZ, FISCHER, and SOLOMON CAPITAL have received
21 "developer fees" in excess of \$330,000 from the amount raised and invested. Based on
22 information and belief, Defendants BUCHHOLZ, FISCHER, and SOLOMON CAPITAL
23 were also to receive a percentage of any profit earned from the investment projects.

24 127. Based on information and belief, Defendants BUCHHOLZ, FISCHER and
25 SOLOMON CAPITAL also took undisclosed "kick backs" from third-parties in
26 connection with the purchase, sale, and alleged proposed development of the Solomon
27 Tower investment project to the detriment of the Plaintiff investors.

28 128. Based on information and belief, on February, 1 2006, Solomon Towers,

1 LLC deeded the Property to Z-LOFT, the original seller, for de minimus consideration.
2 Further, on September 18, 2006, Solomon Towers, LLC purchased the Property from
3 Z-LOFT for \$10.00. The aforementioned acts were undertaken as further attempts to
4 disguise the fraudulent nature of the Enterprise upon the Plaintiff investors.

5 129. Defendants SOLOMON CAPITAL, BUCHHOLZ, and FISCHER, in
6 connection with the presentation to the Plaintiff investors regarding the Solomon Towers
7 project failed to disclose the pre-existing relationship between Defendants
8 BUCHHOLZ, FISCHER, and SOLOMON CAPITAL with Defendants ZELEZNAK and
9 VENTO and their partnership entities Z-LOFT, ZPM, and GRACE. The failure to
10 disclose this fact constitutes a material omission since, among other reasons, the
11 Property was purchased by Defendants BUCHHOLZ, FISCHER, and SOLOMON
12 CAPITAL, using the Plaintiff investors' funds, from Defendants ZELEZNAK and VENTO,
13 and/or their companies, Z-LOFT, ZPM, and GRACE CAPITAL, for a vastly over-inflated
14 price.

15 130. Defendants SOLOMON CAPITAL, BUCHHOLZ, and FISCHER, in
16 connection with the presentation to the Plaintiff investors regarding the Solomon Towers
17 project, failed to disclose that the Property was not worth the amount that would be
18 paid.

19 131. Defendants failed to disclose the fact that the real estate agent and broker
20 for the transaction, ZELEZNAK and ZPM, was also the seller of the Property and did not
21 disclose until just before closing the fact that ZELEZNAK received a \$1,000,000.00
22 commission for his role as the seller's agent for the transaction. This commission rate is
23 equivalent to a 20% (twenty-percent) commission, which far exceeds the prevailing
24 market rate of 5% to 6% for sales transactions involving raw land. Based on
25 information and belief, ZELEZNAK and ZPM acted in a dual agency role in connection
26 with the purchase and sale of the Property. Defendants ZELEZNAK and ZPM's dual
27 agency was similarly not disclosed by Defendants SOLOMON CAPITAL, BUCHHOLZ,
28 and FISCHER to the Plaintiff investors.

1 132. Defendants further failed to disclose: (1) the pre-existing relationship
2 between Defendants BUCHHOLZ, FISCHER, and SOLOMON CAPITAL and
3 Defendants VENTO and ZELEZNAK; or (2) that VENTO and ZELEZNAK were involved
4 in the GRACE CAPITAL partnership with the real estate agent for the transaction,
5 ZELEZNAK, who was also the seller of the Property. Based on information and belief,
6 Defendant VENTO and ZELEZNAK received a distribution from the purchase and sale
7 proceeds from the transaction at issue for the Property. Defendants ZELEZNAK and
8 VENTO, and/or their related companies Z-LOFT, ZPM, and GRACE CAPITAL
9 materially aided SOLOMON CAPITAL, BUCHHOLZ, and FISCHER within the meaning
10 of California Corporations Code Sections 25503, 25102(f), and 25110 and are,
11 therefore, jointly and severally liable to Plaintiffs pursuant to California Corporations
12 Code Sections 25501, 25401, and 25504.

13 133. Defendants SOLOMON CAPITAL, BUCHHOLZ, and FISCHER, failed to
14 disclose that the Plaintiff investors may be subject to supplemental capital obligations in
15 the future. To the contrary, Plaintiff investors were told that they had no obligation
16 beyond their initial investment. The Pro Forma Finance & Investment Analysis: 10
17 Stories states: "Required Equity: \$5,000,000." The Plaintiff investors were informed by
18 Defendants BUCHHOLZ, FISCHER, and SOLOMON CAPITAL, both verbally and in
19 writing, that no further capital contribution would be "required" of them. At the time that
20 Defendants BUCHHOLZ, FISCHER, and SOLOMON CAPITAL solicited and received
21 the investments, however, Defendants were aware of the fact that the project was
22 severely undercapitalized, in part due to the diversion of Plaintiffs' investments to the
23 purchase of the raw land at a grossly inflated price that far exceeded its fair market
24 value. Defendants failed to disclose that information to Plaintiff investors.

25 134. Defendants SOLOMON CAPITAL, BUCHHOLZ, and FISCHER, materially
26 misrepresented the actual return or "profit" to the Plaintiff investors.

27 135. Defendants SOLOMON CAPITAL, BUCHHOLZ, and FISCHER,
28 misrepresented the zoning for the project.

1 136. Defendants SOLOMON CAPITAL, BUCHHOLZ, and FISCHER,
2 misrepresented the timeline for completion of the project and return of investment
3 capital and profits to the Plaintiff investors.

4 137. Defendants SOLOMON CAPITAL, BUCHHOLZ, and FISCHER
5 misrepresented to the Plaintiff investors that they were buying into a viable investment
6 opportunity for a high rise condominium project. The reality, however, was that
7 Defendants had already extracted any potential profits from the potential investment for
8 themselves through the fraudulent Enterprise. The plaintiff investors were then left with
9 a project that was not viable since it was "under water," meaning that the debt on the
10 project so far outweighed its value that the development was not financially viable.

11 138. Based on information and belief, the Enterprise was designed in a form or
12 fashion in which Defendants would purchase property in less desirable areas for market
13 rate, and then sell the property to investor groups for significantly more than the market
14 rate benefit from the distribution of ill gotten gains to the detriment of the Plaintiff
15 investors. .

16 139. On July 24, 2007, the offices of Defendants SOLOMON CAPITAL,
17 BUCHHOLZ and FISCHER were raided by both state and federal authorities in
18 connection with a warrant to investigate allegations of defendants' "pump and dump"
19 sales and fraudulent investment schemes. The Plaintiffs' first notice of the alleged
20 fraudulent activities being conducted by the Defendants was received subsequent to the
21 raid upon SOLOMON CAPITAL by the state and federal authorities. The Plaintiffs
22 received a letter from the Office of the District Attorney postdated July 31, 2007
23 requesting their voluntary responses to a questionnaire about SOLOMON CAPITAL,
24 and Equity Enterprises, Inc. The letter from Deputy District Attorney Michael
25 Fitzsimmons is dated July 25, 2007. The receipt of the District Attorney's
26 correspondence was Plaintiffs' first notice that the aforementioned businesses were
27 under investigation for potential allegations of fraud.

28 140. Based on information and belief, Defendants activities are presently under

1 investigation by the state and federal authorities in connection with Defendants'
2 activities and the Enterprise as defined and set forth herein. Based on information and
3 belief, the pending indictment has not been dismissed.

4 141. Based on information and belief, the state and federal authorities seized the
5 contents of the offices of Defendants SOLOMON CAPITAL, BUCHHOLZ and FISCHER
6 in connection with the state and federal investigation and the pending indictment.

7 142. For a project in Gilbert, Arizona, Defendants also formed entities known as
8 SPIRIT AT SPECTRUM, LLC of which ZELEZNAK was managing member, SPIRIT
9 INVESTORS, LLC, of which BUCHHOLZ was managing member, and PHOENIX
10 VALLEY DEVELOPMENT, LLC, of which BUCHHOLZ was managing member an entity
11 used by RON BUCHHOLZ to purchase land from Defendants, ZELEZNAK and VENTO
12 for \$2,202,492 in March 2005, land for which ZELEZNAK and VENTO had paid
13 \$900,000 in March 2004 and diverting funds to themselves as ill gotten gains.

14 15 F. CHICAGO PROJECTS 16

17 143. Defendants formed OC INVESTORS, LLC, an Illinois limited liability
18 company of which BUCHHOLZ, CHARISE FISCHER, were the initial managers and
19 with DAYSTREAM COURTYARDS, LLC, and HYBELS, LLC, later represented to be
20 managers. OC INVESTORS, LLC, undertook to solicit investors on the basis of four
21 proposed projects in the Chicago Metropolitan area: (1) in Naperville (Naper
22 Courtyards), (2) in Hoffman Estates (Courtyards at Greenspoint), (3) in Itasca (Prospect
23 Courtyards), and (4) in Crystal Lake (Crystal Courtyards).

24 144. Plaintiffs are informed and believe that CHICAGO CONDO FUND, LLC, is a
25 Delaware limited liability company controlled by BUCHHOLZ and CHARISE FISCHER
26 and was a vehicle used by them to solicit funds on the basis of supposedly secured
27 promissory notes involving the purported projects in and around the Chicago
28 Metropolitan area.

1 145. Plaintiffs are informed and believe that HYBELS, LLC, is or was a Nevada
2 limited liability company, of which Roland G. Lee was a manager.

3 146. Plaintiffs are also informed and believe that:

- 4 a. Defendants misrepresented the land cost acquisition for these purported
5 projects, the estimated time of intended completion, the pro forma financial
6 statements, the status of permits, and to the extent land was acquired,
7 siphoned funds for personal and other misuse as stated below;
- 8 b. Defendants severely impaired, if not destroyed the financial viability of the
9 four projects by cross-collateralization, impairing whatever equity may have
10 existed and/or misrepresenting the value of the property so as to obtain
11 mezzanine financing on the projects;
- 12 c. Using funds so raised for the purchase of property in Schaumburg, Lisle,
13 and Elgin, Illinois solely for the benefit of BUCHHOLZ and FISCHER;
- 14 d. Using funds so raised to commence and further another aspect of the
15 scheme by representing, after the fact, that more money than expected had
16 been raised and that the excess funds had been used to undertake a
17 project in Arizona generally known as "Arroyo Mountain" when in fact
18 "Arroyo Mountain" was actually and formerly another RDB project called
19 Deer Valley that never got built and money raised via OC INVESTORS,
20 LLC, had been used to buy out the initial Deer Valley investors with a profit,
21 Defendants then touting the success and profit in Deer Valley as further
22 enticement in the solicitation of funds;
- 23 e. By taking undisclosed "management fees" and demanding kickbacks billed
24 through a purportedly independent consulting named Alabanza, Inc.,
25 formerly a California corporation, dissolved in 2005, and controlled by
26 CHARISE FISCHER, but still being represented as "her independent
27 consulting firm" through which "she is actively involved in managing the
28 development projects..."

- f. Using funds to pay for expenses of other unrelated projects;
- g. Paying money to RNC HOLDINGS and representing it as repayment of loans, such loans never having been made by RNC HOLDINGS;

G. COLORADO PROJECTS

147. DAYSTREAM DEER CREEK, LLC, is a Nevada limited liability company purportedly formed for the purposes of purchasing an ownership interest in COURTYARDS AT DEER CREEK, LLC, regarding a project generally referred to as "Courtyards" that involved the purported purchase and development of land in Jefferson County, Colorado for multi-unit office condominiums.

148. Plaintiffs are informed and believe that BUCHHOLZ and FISCHER were managers of COURTYARDS AT DEER CREEK, LLC; that 47.37% of the net profits of Courtyards were to be distributed to RNC Holdings, LLC; that RDB Development, LLC, an entity controlled by Ron Buchholz took a "development fee" of \$600,000 without intention of ever performing services of such value; and that land cost for the project was grossly misrepresented.

149. In writing and as part of efforts to solicit investors, SOLOMON CAPITAL stated it "is proud to present its latest investment opportunity, Colorado Condos Fund (CCF)." Plaintiffs are informed and believe that COLORADO CONDOS FUND, LLC, was formed as a Delaware limited liability company of which SOLOMON CAPITAL, INC., was a manager.

150. Plaintiffs are informed and believe that BUCHHOLZ and FISCHER, as part of the purported Colorado Condos investments, used double escrows for land purchase and sale transactions in projects known as Cherry Creek and Deer Creek land purchases.

151. Plaintiffs are informed and believe that one or more of these projects underwent name changes for the purpose of facilitating misrepresented status and

1 transactions and may have included, Courtyards at Cherry Creek, LLC, Courtyards at
2 Parker, Strawberry Tierra à Monta Vista, LLC, Briarwood Properties, LLC, Clear Creek
3 South LLC, and Courtyards at Deer Creek, LLC.

4
5 **V. COUNT 1: VIOLATION OF SECTION 1962(A) OF THE RACKETEERING**
6 **INFLUENCED AND CORRUPT ORGANIZATION ACT OF 1970 ("RICO")**

7 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, LDD, EEI, EENI,
8 EEM, ALABANZA, INC., VENTO; GRACE, ZELEZNAK, ZPM, ZLOFT, RDB, ZELTOR,
9 BERRY, and DOES 1-100)

10
11 152. Plaintiffs re-allege and incorporate by reference Paragraphs 1 through 151,
12 inclusive, as though set forth fully herein.

13 153. Defendants, and each of them, are RICO "persons," as that term is defined
14 in 18 U.S.C. § 1961(3).

15 154. For purposes of this claim for relief, the RICO "Enterprise" is an ongoing
16 and continuing association-in-fact formed for the common shared purpose of defrauding
17 investors of real estate investment funds, including but not limited to, Plaintiffs, without
18 the consent or approval of the investors, and collecting profits from these illegal
19 activities. Plaintiffs are informed and believe that Defendants, and each of them,
20 participated in the management or direction of the Enterprise.

21 155. Based on information and belief, the specific internal corporate mechanisms
22 and operations by which Defendants carried out their fraudulent scheme, and the
23 specific activities engaged in by Defendants in furtherance of their fraudulent scheme,
24 are predominantly within the exclusive knowledge of Defendants, and DOES 1-100. To
25 date, given the far-reaching, complex, and clandestine nature of Defendants' fraudulent
26 scheme, Plaintiffs have only been able to gather limited information regarding some
27 aspects of the fraudulent scheme.

28 156. Based on information and belief, and at all relevant times, Defendants, and

1 each of them, violated RICO when they conducted or participated in affairs of the
2 Enterprise through a pattern of racketeering activity, by fraudulently or negligently
3 disclosing or failing to disclose material facts to investors and engaging in fraudulent
4 land sales and transfers that involve use of investor funds for purchase of land at highly
5 inflated and above-market prices. Plaintiffs received their own ill-gotten gains via the
6 use of the U.S. mail and wires from the sale of the land described herein for
7 over-inflated values.

8 157. Defendants have joined together with a common, shared purpose, or
9 community of interest, with an ongoing organization structure continuing throughout the
10 period of the time alleged herein, to collectively form an Enterprise, within the meaning
11 of 18 U.S.C. § 1961(4).

12 158. Defendants have participated in the affairs of the Enterprise, and are all
13 involved in the conduct of the Enterprise.

14 159. Defendants have used or caused to be used the mails and wires and
15 intrastate commerce in furtherance of their scheme and artifice to defraud purported
16 investors, including but not limited to Plaintiffs, by inducing them to place investments
17 with that were then used to purchase land at over-inflated and above-market values to
18 allow for the distribution of ill-gotten gains to Defendants herein. The acts described
19 herein were without the Plaintiff investors' consent and were derived by means of false
20 and fraudulent pretenses, or representations, in violation of 18 U.S.C. §§ 1341 and
21 1343. Defendants herein used negotiable instruments, mails, and wires in furtherance
22 of their fraudulent scheme.

23 160. Defendants were fully aware, or should have been aware, that the investors
24 had not consented to the distribution of ill-gotten gains to Defendants herein arising
25 from the purchase and sale of land and property for over-inflated and above-market
26 rates for the benefit of Defendants herein. Defendants herein continue their
27 participation in the fraudulent scheme with this knowledge.

28 161. The acts of Defendants in defrauding Plaintiffs are now believed by

1 Plaintiffs to have been ongoing for at least several years and continue to date.

2 162. Defendants defrauded Plaintiffs by luring them to place investments in
3 various real estate companies owned or operated by the Defendants, and used these
4 investments to purchase land and/or property for over-inflated and above-market
5 values, taking unconscionable fees for services never to be performed and/or for
6 purported compensation grossly in excess of fair market value, and other acts, while
7 Defendants simultaneously defrauded Plaintiffs by benefitting from the over-inflated and
8 above-market land sales and taking of fees. The specifics of the transactions at issue
9 were never fully disclosed to Plaintiffs, and Plaintiffs did not have full knowledge of the
10 same.

11 163. On information and belief, there is evidence establishing a sophisticated
12 pattern of fraud perpetrated by the Defendants in which the Defendants herein baited
13 Plaintiffs (and on information and belief, over 250 additional potential investors) with the
14 prospect of high investment returns, and then failed to deliver the promised returns,
15 instead using fraudulent land transfers to derive ill-gotten gains from Plaintiffs'
16 investments without their authority, knowledge, or consent, thereby leaving Plaintiffs
17 and other purported investors without the promised returns or land values to cover their
18 investments.

19 164. The fraud perpetrated by Defendants utilizing the tactics described herein,
20 in connection with their multiple dealings with Plaintiffs over the span of three to four
21 years and their active concealment of their activities was furthered by Defendants' use
22 of the mails and wires, constitutes a pattern of racketeering activity within the meaning
23 of U.S.C. § 1961(5).

24 165. The Enterprise alleged herein was, at all times mentioned herein, engaged
25 in activities which affect intrastate commerce.

26 166. Defendants have received income derived from their participation in the
27 pattern of racketeering activities alleged herein. That income consisted of the activities
28 derived by the Defendants wherein Defendants would defraud the Plaintiff investors of

1 their investments. On information and belief, Defendants obtained income from other
2 putative investors consisting of over \$1,000,000.00 of investment capital.

3 167. Based on information and belief, this income, which Defendants herein
4 have received from their participation and racketeering activities, and the participation in
5 the Enterprise, has been used or invested in the operations of the Enterprise.

6 168. On information and belief, Defendants used the proceeds from their
7 racketeering activity to further fund and operate Enterprises under Defendants' name.
8 The Enterprises were entitled, but not limited to, SOLOMON CAPITAL, RNC, LDD, EEI,
9 EENI, EEM, ALABANZA, INC., GRACE, ZPM, KWR, Z-LOFT, FCC, RDB, ZELTOR,
10 LCC, VI, and VFT.

11 169. Defendants' use of an investment of such income is a cause of Plaintiffs'
12 injuries, and Plaintiffs were injured by reason of Defendants' use of an investment of,
13 such income arising from Defendants' wrongful acts of defrauding Plaintiffs through the
14 purchase and sale of property at over-inflated and above-market rates, improperly
15 taking fees, and other acts.

16 170. As a result of the alleged acts and activities of Defendants Plaintiffs have
17 been injured in their business and property. Plaintiffs have incurred and continue to
18 incur legal fees and costs for the prosecution of the instant matter in an attempt to
19 recoup their investment capital. These amounts include interest and costs to recover
20 Plaintiffs' losses and any potential judgments against Defendants in the pending
21 lawsuit.

22 171. Pursuant to 18 U.S.C. § 1964(c), Plaintiffs are entitled to recover three
23 times their actual damages, plus attorneys' fees and costs.

24 172. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
25 Defendants as hereinafter set forth.

26 //

27 //

28 //

VI. COUNT 2: VIOLATION OF SECTION 1962(C) OF THE RICO ACT

(Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, LDD, EEI, EENI, EEM, ALABANZA, INC., VENTO; GRACE, ZELEZNAK, ZPM, ZLOFT, RDB, ZELTOR, BERRY, and DOES 1-100)

173. Plaintiffs re-allege and incorporate by reference Paragraphs 1 through 172, inclusive, as though fully set forth herein.

174. Defendants were and are employed by, or associated with the Enterprise. Furthermore, Defendants have participated in the conduct of the affairs of the Enterprise.

175. Defendants have participated in the conduct of the affairs of the Enterprise by leading, running, managing, and/or directing the affairs of the Enterprise by initiating and formulating the process by which Defendants herein would bait Plaintiffs and other potential investors by offering them investments in which Plaintiffs were informed that they would receive a rate of return on the investments that were later subject to fraud by Defendants' over-inflated and above-market property transactions and sales that were operated to defraud Plaintiffs of their investment and provide Defendants with ill-gotten gains from the property transfers and/or sale. Defendants knew, or should have known, that their representations to Plaintiffs in that regard were false and fraudulent.

176. Defendants have participated in the conduct of the affairs of the Enterprise through a pattern of racketeering activity. On information and belief, there is evidence indicating a sophisticated pattern of fraud by Defendants in which the Defendants induced the Plaintiff investors to invest with SOLOMON CAPITAL, who in turn purchased land and/or property from Defendants for over-inflated and above-market prices in order to allow for Defendants to share in the profits from the sales and to garner ill-gotten gains from Plaintiffs' investments through the perpetration of fraud.

177. As a result of the alleged acts and activities of Defendants and DOES 1-50, Plaintiffs have been injured in their business and property. Plaintiffs have been

1 defrauded of their investment capital. Further, Plaintiffs have incurred and continue to
2 incur legal fees and costs for the prosecution of this matter.

3 178. Pursuant to 18 U.S.C. § 1964(c), Plaintiffs are entitled to recover three
4 times their actual damages plus attorneys' fees and costs.

5 179. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
6 Defendants as hereinafter set forth.

7
8 **VII. COUNT 3: VIOLATION OF SECTION 1962(D) OF THE RICO ACT**

9 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, LDD, EEI, EENI,
10 EEM, ALABANZA, INC., VENTO; GRACE, ZELEZNAK, ZPM, ZLOFT, RDB, ZELTOR,
11 BERRY, and DOES 1-100)

12
13 180. Plaintiffs re-allege and incorporate by reference Paragraphs 1 through 179,
14 inclusive, as though fully set forth herein.

15 181. Defendants have conspired between themselves to use or invest the
16 proceeds from their activities to either acquire an interest in, or establish, or operate an
17 Enterprise, the activities of which affect interests of intrastate commerce.

18 182. Defendants participated in the conduct of the affairs of the Enterprise by
19 leading, running, managing, and/or directing the affairs of the Enterprise by initiating
20 and/or formulating the process by which Defendants would bait Plaintiffs and other
21 purported investors by offering them investments with a proffered rate of return. On
22 information and belief, Defendants would then engage in the purchase and/or sale of
23 land for over-inflated or above market rates in order to defraud the investors of their
24 investment capital to Defendants' benefit. Defendants knew that their representations
25 and/or misrepresentations in that regard were false and fraudulent.

26 183. The conduct of Defendants outlined above further evidences and satisfies
27 the Enterprise prong of 18 U.S.C. § 1962(a) of a RICO cause of action. The proceeds
28 from this activity were then used to further the same racketeering activities and

1 establish and operate further racketeering activities of the Enterprise under 18 U.S.C. §
2 1962(a) of a RICO cause of action.

3 184. Plaintiffs are informed and believe, and on that basis allege, that Plaintiffs
4 agreed to invest, and did invest, investments with Defendants based upon Defendants'
5 representations and misrepresentations that they were paying fair market value for the
6 land to be purchased by Defendants and that Plaintiffs would receive a rate of return on
7 their investments. Plaintiffs were lured into transactions believing that Defendants were
8 paying fair market value for the land subject to the investment when Defendants had, in
9 fact, agreed and engineered an Enterprise to purchase the land at highly inflated or
10 above-market rates in order to defraud the investors and garner ill-gotten gains for the
11 Defendants' benefit. The proceeds from this wrongful activity were then used by
12 Defendants to further the same racketeering activity evidenced herein. The use of
13 proceeds from earlier racketeering activity to further establish and operate Defendants'
14 ongoing racketeering activities satisfies the requirements of an Enterprise under 18
15 U.S.C. § 1962(a).

16 185. As a result of the alleged acts and activities of Defendants and DOES 1-50,
17 Plaintiffs have been injured in their business and property. Plaintiffs have incurred and
18 continue to incur legal fees and costs for the prosecution of this matter.

19 186. Pursuant to 18 U.S.C. § 1964(c), Plaintiffs are entitled to recover three
20 times their actual damages, plus attorneys' fees and costs.

21 WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against Defendants
22 as hereinafter set forth.

23
24 **VIII. COUNT 4: VIOLATION OF SECTION 10B AND RULE 10B-5 OF THE**
25 **SECURITIES EXCHANGE ACT OF 1934**

26 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, LDD, EEI, EENI,
27 EEM, GRACE, ZELEZNAK, ZPM, KWR, Z-LOFT, RDB, ZELTOR, LCC, BERRY, and
28 DOES 1-100)

1 187. Plaintiffs re-allege and incorporate by reference Paragraphs 1 through 186,
2 inclusive, as though fully set forth herein.

3 188. Defendants engaged in a scheme to secure money from investors that
4 included the purchase of land at highly inflated or above-market rates and
5 disseminated or approved the false statements specified above, which they knew or
6 recklessly disregarded were misleading in that they contained misrepresentations and
7 failed to disclose material facts necessary in order to make the statements made, in
8 light of the circumstances under which they were made, not misleading.

9 189. Defendants violated §10(b) and Rule 10b-5 of the 1934 Act in that they:

- 10 (a) Employed devices, schemes and artifices to defraud Plaintiffs;
- 11 (b) Made untrue statements of material facts or omitted to state material facts
12 necessary in order to make the statements made, in light of the
13 circumstances under which they were made, not misleading; or
- 14 (c) Engaged in acts, practices and a course of business that operated as a
15 fraud or deceit upon Plaintiffs with Defendants' purchases of land at highly
16 inflated or above-market rates using investor funds.

17 190. Plaintiffs have suffered damages in that, in reliance on Defendants'
18 representations including, but not limited to, their investments were used to pay an
19 artificially inflated or above-market price for the Solomon Towers Property. Plaintiffs
20 would not have invested in the Property at the rate presented, or at all, if they had been
21 aware that the purchase price for the land had been artificially and falsely inflated as
22 part of Defendants' scheme.

23 191. As a direct and proximate result of Defendants' violation of §10(b) and Rule
24 10b-5 of the 1934 Act, Plaintiffs have been injured in their business and property.
25 Portions of Plaintiffs' investments have been transferred to the Defendants or third
26 parties in the form of wrongfully earned sales prices for land purchased at over inflated
27 or above-market values, commissions on the land sales, closing fees and costs, and
28 development costs on over-encumbered land. Plaintiffs have incurred and continue to

1 incur legal fees and costs to recover such losses and any potential judgments against
2 Defendants in the pending lawsuits.

3 192. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
4 Defendants as hereinafter set forth.

5
6 **IX. COUNT 5: VIOLATION OF SECTION 12(A) OF THE SECURITIES ACT OF 1933**
7 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, LDD, EEI, EENI,
8 EEM, GRACE, ZELEZNAK, ZPM, KWR, Z-LOFT, RDB, ZELTOR, LCC, BERRY, and
9 DOES 1-100)

10
11 193. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 192
12 inclusive, as though set forth fully herein.

13 194. Defendants violated 15 U.S.C. § 77f in that they:

- 14 (a) Offered to sell a security by oral communication; and,
15 (b) Made untrue statements of material facts and omitted to state material
16 facts necessary in order to make the statements made, in light of the
17 circumstances under which they were made, not misleading.

18 195. Plaintiffs suffered damages in that, in reliance on the statements of
19 Defendants, including, but not limited to, Plaintiffs' investment funds were used to pay a
20 highly inflated or above-market price for the Property. Plaintiffs would not have invested
21 in the Property at the rate presented, or at all, if they had been aware that the purchase
22 price for the land had been artificially and falsely inflated as part of Defendants'
23 scheme.

24 196. As a direct and proximate result of Defendants' violation of §12(a) of the
25 1933 Act, Plaintiffs have been injured in their business and property. Portions of
26 Plaintiffs' investments have been transferred to the Defendants or third parties in the
27 form of wrongfully earned sales prices for land purchased at over inflated or
28 above-market values, commissions on the land sales, closing fees and costs, and

1 development costs on over-encumbered land. Plaintiffs have incurred and continue to
2 incur legal fees and costs to recover such losses and any potential judgments against
3 Defendants in the pending lawsuits. As a direct and proximate result of Defendants'
4 wrongful conduct, Plaintiffs are entitled to restitution of all monies invested with
5 Solomon Capital, with interest thereon.

6 197. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
7 Defendants as hereinafter set forth.

8
9 **X. COUNT 6: VIOLATION OF CALIFORNIA BUSINESS AND PROFESSIONS**
10 **CODE SECTION 17200, ET SEQ.**

11 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
12 EENI, EEM, ALABANZA, INC., VENTO; GRACE, ZELEZNAK, ZPM, KWR, Z-LOFT,
13 WILLIAM E. BUCHHOLZ, FCC, RDB, ZELTOR, LCC, VI, BERRY, VFT, and DOES 1-
14 100)

15
16 198. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 197
17 inclusive, as though set forth fully herein.

18 199. The acts, omissions, misrepresentations, practices, and non-disclosures of
19 Defendants as alleged herein constituted unlawful, unfair, and fraudulent business acts
20 and practices within the meaning of California Business and Professions Code § 17200,
21 et seq.

22 200. Plaintiffs agreed to invest, and in fact did invest with Defendants based
23 upon Defendants' representations and misrepresentations that included, but were not
24 limited to, they were paying fair market value for the land to be purchased by
25 Defendants and that Plaintiffs would receive a rate of return on their investments.
26 Plaintiffs were lured into transactions believing that Defendants were paying fair market
27 value for the land subject to the investment when Defendants had, in fact, agreed and
28 engineered to purchase the land at highly inflated or above-market rates in order to

1 defraud the investors and garner ill-gotten gains for the Defendants' benefit. The
2 proceeds from this wrongful activity were then used by Defendants to continue to
3 perpetrate the fraud upon other investors. Defendants' deception constitutes a
4 fraudulent business practice under the California Unfair Competition Law in that
5 Defendants failed to disclose these fraudulent practices to investors prior to investment.

6 201. As a result of the foregoing, pursuant to California Business & Professions
7 Code §17203, Plaintiffs seek an Order of this Court requiring Defendants to immediately
8 cease such acts of unfair competition and enjoining Defendants from continuing to take
9 investments from investors. Plaintiffs additionally request an Order of this Court
10 requiring the payment or return of any monies wrongfully acquired, saved, or retained
11 by Defendants by means of such acts of unfair competition so as to restore to Plaintiffs
12 any and all monies which were acquired and obtained by means of such acts of unfair
13 competition and/or as may be necessary to prevent the use or employment of any
14 practices which constitutes unfair competition, as well as imposing an asset freeze or a
15 constructive trust over such monies.

16 202. Therefore, Plaintiffs seek an Order of this Court for all appropriate available
17 remedies under California Business & Professions Code §17203.

18 203. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
19 Defendants as hereinafter set forth.

20 21 **XI. COUNT 7: BREACH OF FIDUCIARY DUTY**

22 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, WILLIAM E.
23 BUCHHOLZ, FCC, and DOES 1-100)

24
25 204. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 203
26 inclusive, as though set forth fully herein.

27 205. Defendants SOLOMON CAPITAL, BUCHHOLZ, and FISCHER had a
28 special relationship with all Plaintiffs, in that Defendants assumed a fiduciary position in

1 relation to the investors as investment advisers, trustees of the accounts, and
2 managers, managing partners of projects, ventures, and the limited liability companies.
3 As such, Defendants were fiduciaries as to Plaintiffs. Defendants breached their
4 fiduciary duty to Plaintiffs by failing to make full disclosure of all material facts
5 concerning the transactions that might have affected Plaintiffs' investment decisions.
6 The Plaintiffs' losses were caused by and have resulted directly from the action,
7 misrepresentations, and omissions of Defendants.

8 206. Defendants, WILLIAM E. BUCHHOLZ, and FCC, had a special relationship
9 with Plaintiffs, Mike Brogdon and Renee Brogdon; James Bryson; Wayne Canto and
10 Candise Canto; Kwei Choong; Mark Delman and Kathleen Delman; Eric Gold; Jerry
11 Hughes and Rhonda Hughes; Irvin Urbanski and Yolanda Urbanski; Bob Winger and
12 Nancy Winger arising out of or related to their participation in worship within FCC that
13 constitutes a fiduciary relationship and/or equivalent based on the relationship of faith,
14 trust, and confidence.

15 207. As fiduciaries, Defendants owed a duty of utmost care, integrity, honesty
16 and loyalty toward Plaintiffs. Defendants breached their fiduciary duty to Plaintiffs by,
17 among other things, misrepresenting that Defendants were paying fair market value for
18 the land to be purchased by Defendants and that Plaintiffs would receive a rate of return
19 on their investments. Plaintiffs were lured into transactions believing that Defendants
20 were paying fair market value for the land subject to the investment when Defendants
21 had, in fact, agreed and engineered to purchase the land at highly inflated or
22 above-market rates in order to defraud the investors and garner ill-gotten gains for the
23 Defendants' benefit. The proceeds from this wrongful activity were then used by
24 Defendants to continue to perpetrate the fraud upon other investors.

25 208. Defendants, WILLIAM E. BUCHHOLZ, and FCC, breached the duties to
26 Plaintiffs, Mike Brogdon and Renee Brogdon; James Bryson; Wayne Canto and
27 Candise Canto; Kwei Choong; Mark Delman and Kathleen Delman; Eric Gold; Jerry
28 Hughes and Rhonda Hughes; Irvin Urbanski and Yolanda Urbanski; Bob Winger and

1 Nancy Winger by soliciting them to invest on the basis of promises affecting their
2 relationship with and obligations to FCC and otherwise

3 209. As a direct and proximate result of the breach of fiduciary duty by
4 Defendants, Plaintiffs have been injured in their business and property. Portions of
5 Plaintiffs' investments have been transferred to the Defendants or third parties in the
6 form of wrongfully earned sales prices for land purchased at over inflated or
7 above-market values, commissions on the land sales, closing fees and costs, and
8 development costs on over-encumbered land. Plaintiffs have incurred and continue to
9 incur legal fees and costs to recover such losses and any potential judgments against
10 Defendants in the pending lawsuits.

11 210. The Defendants' conduct as described above, involved malice, oppression
12 and fraud, and such conduct was clearly despicable. Such despicable and fraudulent
13 conduct was plainly conducted by the individual defendants as officers, directors, and/or
14 managing agents of these entity Defendants and/or was ratified by the entity
15 defendants. Accordingly, the Court should assess punitive damages against these
16 Defendants.

17 211. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
18 Defendants as hereinafter set forth.

19
20 **XII. COUNT 8: BREACH OF CONTRACT**

21 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
22 EENI, EEM, ALABANZA, INC., Z-LOFT, RDB, ZELTOR, LCC, and DOES 1-100)

23
24 212. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 211
25 inclusive, as though set forth fully herein.

26 213. In or about March 2005, Defendants commenced causing Plaintiffs to enter
27 into Operating Agreements and loan transactions.

28 214. As part of the Operating Agreements, Defendant managers BUCHHOLZ,

1 FISCHER, and entities managed by them via entities acting as managers that were in
2 turn controlled by Defendants, agreed, among other things, to use company funds only
3 to further the purposes of the pertinent company, not to commingle funds, not to
4 knowingly perform any act that contravened the Operating Agreement or was
5 inconsistent with the purposes of the company, and to keep accurate books and records

6 215. Defendants breached the Operating Agreements with Plaintiffs by, among
7 other things, commingling the company's funds with their own, and using the funds for
8 things other than those in furtherance of the purposes of the company, such as a one
9 million dollar commission payment to Defendants' real estate broker, Defendant
10 ZELEZNAK (who was also the owner of the land being purchased in the related
11 transaction). In addition, Defendants concealed this commingling and misuse of
12 investor funds by keeping inaccurate or incomplete financial books and records and
13 providing false and misleading oral and written information to Plaintiffs. As a result,
14 Plaintiffs were lured into transactions believing that Defendants were paying fair market
15 value for the land subject to the investment when Defendants had, in fact, agreed and
16 engineered to purchase the land at highly inflated or above-market rates in order to
17 defraud the investors and garner ill-gotten gains for the Defendants' benefit and
18 otherwise siphon investor funds by improper method. The proceeds from this wrongful
19 activity were then used by Defendants to continue to perpetrate further fraud upon
20 investors.

21 216. As a direct and proximate result of the breaches of the pertinent Operating
22 Agreements by Defendants, Plaintiffs have been injured in their business and property.
23 Portions of Plaintiffs' investments have been transferred to the Defendants or third
24 parties in the form of wrongfully earned sales prices for land purchased at over inflated
25 or above-market values, commissions on the land sales, closing fees and costs, and
26 development costs on over-encumbered land. Plaintiffs have incurred and continue to
27 incur legal fees and costs to recover such losses and any potential judgments against
28 Defendants in the pending lawsuits.

1 217. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
2 Defendants as hereinafter set forth.

3
4 **XIII. COUNT 9: BREACH OF THE IMPLIED COVENANT OF GOOD FAITH**
5 **AND FAIR DEALING**

6 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
7 EENI, EEM, ALABANZA, INC., Z-LOFT, RDB, ZELTOR, LCC, and DOES 1-100)

8
9 218. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 217
10 inclusive, as though set forth fully herein.

11 219. Implied within every contract is an implied covenant of good faith and fair
12 dealing.

13 220. Defendants unfairly frustrated Plaintiffs' right to receive the benefits due
14 under the parties' agreements by the acts and omissions alleged herein, which
15 constituted a breach the implied covenant of good faith and fair.

16 221. As a proximate cause of Defendants' breaches of the parties' written, oral
17 and implied agreements, Plaintiffs have incurred general and special damages
18 according to proof at trial including those alleged herein.

19 222. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
20 Defendants as hereinafter set forth.

21
22 **XIV. COUNT 10: NEGLIGENT MISREPRESENTATION**

23 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
24 EENI, EEM, ALABANZA, INC., ZELEZNAK, ZPM, KWR, and DOES 1-100)

25 223. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 222,
26 inclusive, as though set forth fully herein.

27 224. Defendants and through their agents, officers, directors, and employees,
28 represented and promised Plaintiffs, among other things, that Defendants were paying

1 fair market value for the land to be purchased by Defendants and that Plaintiffs would
2 receive a rate of return on their investments. Plaintiffs were lured into transactions
3 believing that Defendants were paying fair market value for the land subject to the
4 investment when Defendants had, in fact, agreed and engineered to purchase the land
5 at highly inflated or above-market rates in order to defraud the investors and garner
6 ill-gotten gains for the Defendants' benefit. The proceeds from this wrongful activity
7 were then used by Defendants to continue to perpetrate further fraud upon investors.

8 225. Defendants made these misrepresentations to induce Plaintiffs into
9 purchasing the subject investments and securities from the company Defendants.

10 226. At the time the Defendants made these written and oral misrepresentations,
11 Defendants knew or should have known that they were not true. Defendants knew or
12 should have known that they could not fulfill these promises.

13 227. Plaintiffs reasonably relied upon these written and oral statements in
14 purchasing the investments and securities, without any knowledge Defendants had, in
15 fact, agreed and engineered to purchase the land at highly inflated or above-market
16 rates in order to defraud the investors and otherwise garner ill-gotten gains for the
17 Defendants' benefit. Had Plaintiffs known the truth, Plaintiffs would never have
18 purchased the investments and securities from Defendants.

19 228. As a direct and proximate result of the acts and omissions of Defendants,
20 Plaintiffs have been injured in their business and property. Portions of Plaintiffs'
21 investments have been transferred to the Defendants or third parties in the form of
22 wrongfully earned sales prices for land purchased at over inflated or above-market
23 values, commissions on the land sales, closing fees and costs, development costs on
24 over-encumbered land. Plaintiffs have incurred and continue to incur legal fees and
25 costs to recover such losses and any potential judgments against Defendants in the
26 pending lawsuits.

27 229. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
28 Defendants as hereinafter set forth.

1 **XV. COUNT 11: INTENTIONAL MISREPRESENTATION**

2 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
3 EENI, EEM, ALABANZA, INC., ZELEZNAK, ZPM, KWR, and DOES 1-100)

4
5 230. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 229,
6 inclusive, as though fully set forth herein.

7 231. Defendants and through their agents, officers, directors, and employees,
8 represented and promised Plaintiffs, among other things, that Defendants were paying
9 fair market value for the land to be purchased by Defendants and that Plaintiffs would
10 receive a rate of return on their investments. Plaintiffs were lured into transactions
11 believing that Defendants were paying fair market value for the land subject to the
12 investment when Defendants had, in fact, agreed and engineered to purchase the land
13 at highly inflated or above-market rates in order to defraud the investors and garner
14 ill-gotten gains for the Defendants' benefit. The proceeds from this wrongful activity
15 were then used by Defendants to continue to perpetrate the fraud upon other investors.

16 232. At the time that the Defendants made these written and oral representations
17 to Plaintiffs, they knew that they were not true. Defendants in fact had no intention of
18 fulfilling these promises and instead used this deception to trick Plaintiffs into
19 purchasing investments and securities when Defendants had no intention of purchasing
20 land at fair market value for the benefit of the Plaintiff investor. Instead, Defendants
21 intended to and did purchase overly inflated land at above market rates, in order to
22 defraud the investors and garner ill-gotten gains for the Defendants' benefit. Certain
23 proceeds from this wrongful activity were then used by Defendants to continue to
24 perpetrate further fraud upon investors.

25 233. Plaintiffs reasonably relied upon these written and oral statements in
26 purchasing the investments and securities, without any knowledge that Defendants
27 intended to and did purchase overly inflated land at above market rates, in order to
28 defraud the investors and otherwise garner ill-gotten gains for the Defendants' benefit.

1 Had Plaintiffs known the truth, Plaintiffs would never have purchased the investments
2 and securities for any purpose whatsoever.

3 234. As a direct and proximate result of Defendants' misrepresentations and
4 concealment, Plaintiffs have been injured in their business and property. Portions of
5 Plaintiffs' investments have been transferred to the Defendants or third parties in the
6 form of wrongfully earned sales prices for land purchased at over inflated or
7 above-market values, commissions on the land sales, closing fees and costs,
8 development costs on over-encumbered land. Plaintiffs have incurred and continue to
9 incur legal fees and costs to recover such losses and any potential judgments against
10 Defendants in the pending lawsuits.

11 235. The Defendants' conduct as described above, involved malice, oppression
12 and fraud, and such conduct was clearly despicable. Such despicable and fraudulent
13 conduct was plainly conducted by the individual defendants as officers, directors, and/or
14 managing agents of these entity Defendants and/or was ratified by the entity
15 defendants. Accordingly, the Court should assess punitive damages against these
16 Defendants.

17 236. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
18 Defendants as hereinafter set forth.

19
20 **XVI. COUNT 12: CONSPIRACY**

21 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
22 EENI, EEM, ALABANZA, INC., VENTO; GRACE, ZELEZNAK, ZPM, KWR, Z-LOFT,
23 RDB, ZELTOR, LCC, VI, BERRY, VFT, and DOES 1-100)

24
25 237. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 236
26 inclusive, as though set forth fully herein.

27 238. On information and belief, and now ongoing for at least several years, and
28 perhaps earlier, Defendants, and each of them, knowingly and willfully conspired and

1 agreed among themselves to sell real property to the Plaintiff investors for prices
2 significantly over market value while promising fair returns on the investment, then to
3 collect profits from the investments, leaving the properties severely undercapitalized,
4 and leaving the investors with no return on their investment and otherwise siphon
5 investor money.

6 239. Defendants' activities constituted a "Ponzi scheme" involving the
7 "OPERATORS" and the "FACILITATORS" and entities controlled by them, that
8 purchased the land in advance in preparation for later sale to the investors at a highly
9 inflated price, and the "AGENT and BROKER" (ZELEZNAK, ZPM, and KWR) that
10 facilitated the transactions and received, in some instances, 20% (twenty percent)
11 commission rates. Under the guise of purporting to offer real estate investment
12 opportunities for qualified clients and professing expertise in real estate development,
13 Defendants created a pool of investment money by creating a nearly indiscernible web
14 of entities, transactions, and relationships between and controlled by them so as to
15 divert funds to themselves as ill gotten gains. The proceeds from this fraudulent
16 Enterprise were then used by Defendants to perpetrate further fraud upon investors.

17 240. Defendants did the acts and things alleged herein pursuant to, and in
18 furtherance of, the conspiracy and above-alleged agreement.

19 241. Plaintiffs did not have knowledge of the above-described conspiracy at the
20 time it was taking place. Plaintiffs could not have discovered the above-described
21 conspiracy in the exercise of reasonable diligence because Plaintiffs were not
22 sophisticated investors, because Plaintiffs relied on Defendants upholding their fiduciary
23 duty to Plaintiffs, and because Defendants concealed their activities between several
24 parties and fictional entities. The first suspicion of any of the Plaintiffs first arose on July
25 24, 2007 as a result of the raid at a place of business used by one or more of the
26 defendants, then followed by contact initiated by the Santa Clara County District
27 Attorney's office relative to its investigation of Defendants' activities.

28 242. As a proximate result of the wrongful acts herein alleged, Plaintiffs have

1 been damaged through the loss of their initial investments, as well as subsequent
2 capital contributions.

3 243. The Defendants' conduct as described above, involved malice, oppression
4 and fraud, and such conduct was clearly despicable. Such despicable and fraudulent
5 conduct was plainly conducted by the individual defendants as officers, directors, and/or
6 managing agents of these entity Defendants and/or was ratified by the entity
7 defendants. Accordingly, the Court should assess punitive damages against these
8 Defendants.

9 244. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
10 Defendants as hereinafter set forth.

11
12 **XVII. COUNT 13: ALTER EGO**

13 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
14 EENI, EEM, ALABANZA, INC., VENTO; GRACE, ZELEZNAK, ZPM, KWR, Z-LOFT,
15 RDB, ZELTOR, LCC, VI, BERRY, VFT, and DOES 1-100)

16
17 245. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 244
18 inclusive, as though fully set forth herein.

19 246. On information and belief, there exists, and at all times herein mentioned
20 there existed, a unity of interest and ownership between Defendants such that any
21 individuality and separateness between Defendants has ceased, and the entity
22 Defendants are the alter egos of individual Defendants.

23 247. The individual Defendants used assets of the entity Defendants and other
24 entities created and controlled by them for their personal uses, caused assets of the
25 corporations to be transferred to them without adequate consideration, undercapitalized
26 the corporate investments, and withdrew funds from the corporation's bank accounts for
27 their own personal use.

28 248. Defendants BUCHHOLZ and FISCHER used funds from SOLOMON

1 CAPITAL, in connection with RDB DEVELOPMENT for their own personal residences
2 and vehicles and/or applied funds from SOLOMON CAPITAL accounts in furtherance of
3 Defendants' fraudulent Enterprise, as described herein.

4 249. On information and belief, the entity Defendants and other entities created
5 and controlled by the individual Defendants, were mere shells, instrumentalities, and
6 conduits through which the individual Defendants carried on the Enterprise and their
7 fraudulent investment business in the names of corporations, limited liability companies
8 and other entities, exercising complete control and dominance of such entities to such
9 an extent that any individuality or separateness of the entity Defendants does not, and
10 at all times herein mentioned did not, exist.

11 250. Therefore, Plaintiffs request that this Court disregard the legal formalities of
12 entity Defendants and other entities created and/or controlled by Defendants used by
13 them in furtherance of the Enterprise, conspiracies, and/or fraud.

14 251. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
15 Defendants as hereinafter set forth.

16
17 **XVIII. COUNT 14: FRAUD**

18 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
19 EENI, EEM, ALABANZA, INC., VENTO; GRACE, ZELEZNAK, ZPM, KWR, Z-LOFT,
20 RDB, ZELTOR, LCC, VI, BERRY, VFT, and DOES 1-100)

21
22 252. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 251
23 inclusive, as though fully set forth herein.

24 253. Defendants failed to disclose the facts alleged herein, all of which were
25 within their knowledge at the time that Plaintiffs rendered their investments. Defendants
26 made false and misleading representations to Plaintiffs including, but not limited to,
27 those concerning the fair market value of the Property as alleged herein, and the fact
28 that Defendants and those involved in the Enterprise would benefit in a manner

1 undisclosed to Plaintiffs. Defendants took affirmative actions in order to prevent
2 Plaintiffs from discovering the value of the Property, including, but not limited to, those
3 misrepresentations by omission of material facts regarding the value of the Property at
4 the time of purchase, and the fact that the Property was being purchased from known
5 associates of Defendants.

6 254. Defendants knew that the representations alleged herein were false and
7 misleading at the time they were made.

8 255. Defendants made the aforesaid representations and others with an intent to
9 defraud and intentionally mislead Plaintiffs, and to induce Plaintiffs to act in reliance on
10 these representations, including causing Plaintiffs to place investments with Defendants
11 for the purchase of the Property.

12 256. Plaintiffs were unaware of the falsity and intentionally misleading nature of
13 the aforementioned representations, including, but not limited to the misrepresentations
14 by omission of material facts, and justifiably acted in reliance upon the aforesaid
15 representations. Plaintiffs' reliance was justifiable based upon the fiduciary relationship
16 that Defendants had assumed with Plaintiffs and Plaintiffs, therefore, had a
17 responsibility to fully disclose all information concerning the projects and investments to
18 Plaintiffs in a full and truthful manner.

19 257. As a direct and proximate result of Defendants' false and intentionally
20 misleading representations and concealment of the facts as alleged herein, Plaintiffs
21 have been damaged and are entitled to compensation in an amount to be determined
22 according to proof. Such damages include, but are not limited to, the loss of investment
23 obtained by fraud and loss of interest on the investment capital.

24 258. Furthermore, as a result of Defendant's intentionally false and misleading
25 representations, Plaintiffs are entitled to exemplary and punitive damages.

26 259. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
27 Defendants as hereinafter set forth.

28 *////*

XIX. COUNT 15: CONSTRUCTIVE FRAUD

(Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI, EENI, EEM, ALABANZA, INC., VENTO; GRACE, ZELEZNAK, ZPM, KWR, Z-LOFT, RDB, ZELTOR, LCC, VI, BERRY, VFT, and DOES 1-100)

260. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 259 inclusive, as though fully set forth herein.

261. In their respective roles as the issuers of the unqualified securities and as the managing members of projects, and participation in the Enterprise, Defendants individually and collectively owed to Plaintiffs certain duties to make the fullest disclosure of all material facts that might affect Plaintiffs' decision to provide money.

262. Defendants failed to disclose the facts alleged herein, all of which were within their knowledge at the time that Plaintiffs rendered their investments. Defendants made false and misleading representations to Plaintiffs including, but not limited to, those concerning the fair market value of the Property as alleged herein, and the fact that Defendants and those involved in the Enterprise would benefit in manners undisclosed to Plaintiffs. Defendants took affirmative actions in order to prevent Plaintiffs from discovering the value of projects and property, including, but not limited to, misrepresentations by omission of material facts regarding the value of the projects and property at the time of purchase, and the fact that projects and property were being purchased from known associates of Defendants.

263. Plaintiffs were unaware of the falsity and intentionally misleading nature of the aforementioned representations, including, but not limited to the misrepresentations by omission of material facts, and justifiably acted in reliance upon the aforesaid representations. Plaintiffs' reliance was justifiable based upon the fiduciary relationship that Defendants had assumed with Plaintiffs. Defendants, therefore, had a responsibility to fully disclose all information concerning the projects and investments to Plaintiffs in a full and truthful manner.

1 264. At all times mentioned herein, Plaintiffs were unaware of the existence of
2 the aforementioned material misrepresentations and omissions of material facts.

3 265. As a result of Defendants' failure to make full disclosure of material facts as
4 well as Defendants' misrepresentation of material facts that might have affected
5 Plaintiffs' decision to provide money to Defendants for use in projects, Plaintiffs did, in
6 fact, transfer the funds to Defendants and have been damaged and are now entitled to
7 compensation in an amount to be determined according to proof. Such damages
8 include, but are not limited to, actual damages, interest thereon, punitive damages,
9 attorney's fees, and other damages according to proof.

10 266. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
11 Defendants as hereinafter set forth.

12
13 **XX. COUNT 16: RESCISSION BASED ON MATERIAL MISREPRESENTATION**
14 **AND SECURITIES TRANSACTION PURSUANT TO CALIFORNIA**
15 **CORPORATIONS CODE SECTIONS 25501 AND 25401**

16 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
17 EENI, and DOES 1-100)

18
19 267. Plaintiffs re-allege and incorporate by reference Paragraphs 1 through 266
20 inclusive, as though fully set forth herein.

21 268. Beginning around February 2005, Defendants BUCHHOLZ, FISCHER,
22 SOLOMON CAPITAL, RNC, LDD, EEI, EENI, in Santa Clara County, California,
23 offered and sold to Plaintiffs and investors a total of approximately \$6,700,000.00 of
24 promissory notes and membership interests in the various limited liability companies
25 and projects. The transactions were made by means of both a written and oral
26 presentation and communication which contained misleading information and omitted to
27 state material facts necessary in order to make the statements made in that
28 communication, in light of the circumstances under which they were made, not

1 misleading. Among other things, the communications failed to set forth that land being
2 purchased would be done so at an over-inflated and above fair market value price so as
3 to provide secret profits to Defendants.

4 269. Defendants failed to disclose the pre-existing relationship among the
5 Defendants in the various projects and the entities controlled by them. The failure to
6 disclose constitutes a material omission.

7 270. The participating Defendants and/or their related companies qualify as
8 materially aiding personnel under the California Corporations Code and are, therefore,
9 jointly and severally liable under the Code.

10 271. As a result of the material misrepresentations and omissions, Plaintiffs are
11 entitled to rescind the above-described purchases of promissory notes and membership
12 interests in the various entities and in Solomon Towers, LLC.

13 272. Plaintiffs will tender to Defendants their promissory notes and/or
14 membership interests for the above-described securities as purchased from
15 Defendants and on which to date Plaintiffs are entitled to receive the amounts as
16 alleged herein.

17 273. Therefore, Plaintiffs seek an Order of this Court for the appropriate available
18 remedy of rescission and return of Plaintiffs' investment capital with interest from the
19 date of the investment pursuant to California Corporations Code §§ 25501 and 25401.

20 274. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
21 Defendants as hereinafter set forth.

22
23 **XXI. COUNT 17: JOINT AND SEVERAL LIABILITY OF MANAGEMENT**
24 **PRINCIPALS AND MATERIALLY AIDING PERSONNEL PURSUANT TO**
25 **CALIFORNIA CORPORATIONS CODE SECTIONS 25501, 25401, AND 25504**
26 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
27 EENI, EEM, ALABANZA, INC., VENTO; GRACE, ZELEZNAK, ZPM, KWR, Z-LOFT,
28 RDB, ZELTOR, LCC, VI, BERRY, VFT, and DOES 1-100)

1 275. Plaintiffs re-allege and incorporate by reference Paragraphs 1 through 274,
2 inclusive, as though fully set forth herein.

3 276. Defendants, at the time of acts alleged herein, materially assisted in the
4 perpetration of the Enterprise and fraud upon the Plaintiffs and profited as a result of the
5 actions and omissions committed as part of the Enterprise.

6 277. Plaintiffs have been damaged in an amount to be proven at trial. Therefore,
7 Plaintiffs seek an Order of this Court for all appropriate available remedies under
8 California Corporations Code §§ 25501, 25401, and 25504.

9 278. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
10 Defendants as hereinafter set forth.

11
12 **XXII. COUNT 18: RESCISSION OF SALE OF SECURITIES NOT QUALIFIED FOR**
13 **SALE AND RESTITUTION OF CONSIDERATION PAID PURSUANT TO CALIFORNIA**
14 **CORPORATIONS CODE SECTIONS 25503, 25102(F), AND 25110**

15 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
16 EENI, EEM, KWR, Z-LOFT, RDB, ZELTOR, LCC, and DOES 1-100)

17
18 279. Plaintiffs re-allege and incorporate by reference Paragraphs 1 through 278
19 inclusive, as though fully set forth herein.

20 280. Defendants offered and sold, or otherwise participated in the offer and sale,
21 to Plaintiffs and investors a total of approximately \$6,900,000.00 of promissory notes
22 and membership interests in the various entities. Defendants were the issuers of the
23 investments and engaged in the trading of such securities.

24 281. The sales constituted issuer transactions in that it was part of an initial
25 offering of membership interests for capitalization purposes for the various entities and
26 the issuers directly benefitted from Plaintiffs' investments and received a portion of the
27 investments as the issuer of the security. At the time of Plaintiffs' acquisitions and
28 investments, the sales were subject to qualification, was not exempt from qualification,

1 and was not, and to the date of this Complaint, has not been qualified as any kind of
2 securities transaction with the Commissioner of Corporations.

3 282. As a result of the above-described acts, Defendants are liable to Plaintiffs,
4 who are entitled to and hereby do, rescind the above-described purchases. Plaintiffs
5 will tender before entry of judgment to Defendants their promissory notes and
6 membership interests in the above-described security as purchased from Defendants.

7 283. Plaintiffs are informed and believe that the consideration given for the
8 securities herein may not be capable of being returned in that Defendants allowed some
9 of the projects to be lost to foreclosure, gave deeds in lieu of foreclosure, and/or
10 because the investment consideration was used to purchase property for an
11 over-inflated and above fair market value in order to benefit Defendants. The purchase
12 of the Property at issue for the over-inflated and above fair market valuation constituted
13 fraud upon the Plaintiffs and resulted in the distribution of ill gotten gains to Defendants.
14 Further, there are multiple outstanding loans against the property and certain
15 noteholders have intimated that further foreclosure proceedings would pursue.

16 284. Plaintiffs have been damaged in an amount to be proven at trial. Therefore,
17 Plaintiffs seek an Order of this Court for all appropriate available remedies under
18 California Corporations Code §§ 25503, 25102(f), and 25110.

19 285. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
20 Defendants as hereinafter set forth.

21
22 **XXIII. COUNT 19: JOINT AND SEVERAL LIABILITY OF MANAGEMENT**

23 **PRINCIPALS AND MATERIALLY AIDING PERSONNEL PURSUANT TO**

24 **CALIFORNIA CORPORATIONS CODE SECTIONS 25503, 25102(F), AND 25110**

25 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
26 EENI, EEM, ALABANZA, INC., VENTO; GRACE, ZELEZNAK, ZPM, KWR, Z-LOFT,
27 FCC, RDB, ZELTOR, LCC, VI, BERRY, VFT, and DOES 1-100)

28 **////**

1 286. Plaintiffs re-allege and incorporate by reference Paragraphs 1 through 285,
2 inclusive, as though fully set forth herein.

3 287. Defendants and/or their related companies, at the time of acts alleged
4 herein, materially assisted in the perpetration of the Enterprise and fraud upon the
5 Plaintiffs and other putative investors.

6 288. Based on information and belief, Defendants have conducted similar
7 transactions with other investor groups to further perpetrate the fraudulent Enterprise
8 discussed herein.

9 289. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against
10 Defendants as hereinafter set forth.

11 12 **XXIV. COUNT 20: ACCOUNTING**

13 (Against Defendants, BUCHHOLZ, FISCHER, SOLOMON CAPITAL, RNC, LDD, EEI,
14 EENI, EEM, ALABANZA, INC., VENTO; GRACE, ZELEZNAK, ZPM, KWR, Z-LOFT,
15 FCC, RDB, ZELTOR, LCC, VI, BERRY, VFT, and DOES 1-100)

16
17 290. Plaintiffs re-allege and incorporate by reference Paragraphs 1 through 289,
18 inclusive, as though fully set forth herein.

19 291. Despite the duty and requests to do so, Defendants have not provided
20 Plaintiffs with full, complete, and accurate accountings of transactions related to
21 Plaintiffs' investments.

22 292. Plaintiffs are entitled to full, fair, and accurate accountings.

23 293. Without such accountings, Plaintiffs are unable to ascertain what sum if any
24 is due on their notes and/or investments and from whom as the information and
25 documents are in the custody and control of Defendants. Full and fair accountings of all
26 income, assets, expenses, liabilities and distributions related to the investments and
27 projects are necessary to determine what sums are due to whom and from whom.

28 294. WHEREFORE, Plaintiffs pray for judgment in favor of Plaintiffs and against

1 Defendants as hereinafter set forth.

2
3 **PRAYER FOR RELIEF**
4

5 Wherefore, Plaintiffs, by and through their attorneys, pray for judgment against
6 Defendants, and each of them, as follows:

- 7 1. For rescission of the purchase and recovery of investment capital as the
8 original consideration paid for the securities at issue;
9 2. For interest as according to fact, proof, and/or law;
10 3. For actual damages incurred to be proven at trial with interest thereon;
11 4. For costs of suit herein incurred;
12 5. For recovery of attorneys' fees;
13 6. For punitive damages;
14 7. For a permanent injunction preventing Defendants from further profiting
15 from or disgorging said profits from their fraudulent Enterprise;
16 8. For full, fair, accurate accountings; and
17 9. For such other and further relief as the Court may deem proper.

18
19 Dated: July 23, 2008


Jeffrey M. Forster, Attorney for Plaintiffs

20
21 Dated: July 23, 2008


Steven R. Levy, Attorney for Plaintiffs

22
23 **DEMAND FOR JURY TRIAL**

24 **Plaintiffs hereby demand a trial by jury.**

25
26 Dated: July 23, 2008


Jeffrey M. Forster, Attorney for Plaintiffs

27
28 Dated: July 23, 2008


Steven R. Levy, Attorney for Plaintiffs

JS 44 (Rev. 12/07) (cand rev 1-08)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON PAGE TWO OF THE FORM.)

I. (a) PLAINTIFFS

Yu-Sze Yen, et al.

DEFENDANTS

Ronald Buchholz, et al.

(b) County of Residence of First Listed Plaintiff
(EXCEPT IN U.S. PLAINTIFF CASES)County of Residence of First Listed Defendant
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.

(c) Attorney's (Firm Name, Address, and Telephone Number)

Jeffrey M. Forster
Steven R. Levy
160 W. Santa Clara St., Ste. 1100
San Jose, CA 95113

Attorneys (If Known)

C08 03535

PVT

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- ☐ 1 U.S. Government Plaintiff ☒ 3 Federal Question (U.S. Government Not a Party)
- ☐ 2 U.S. Government Defendant ☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- | | PTF | DEF | | PTF | DEF |
|---|---------------------------------------|----------------------------|---|----------------------------|---------------------------------------|
| Citizen of This State | <input checked="" type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business In This State | <input type="checkbox"/> 4 | <input checked="" type="checkbox"/> 4 |
| Citizen of Another State | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business In Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACT	PERSONAL INJURY	PERSONAL INJURY	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance	<input type="checkbox"/> 310 Airplane	<input type="checkbox"/> 362 Personal Injury—	<input type="checkbox"/> 610 Agriculture	<input type="checkbox"/> 422 Appeal 28 USC 158	<input type="checkbox"/> 400 State Reapportionment
<input type="checkbox"/> 120 Marine	<input type="checkbox"/> 315 Airplane Product Liability	Med. Malpractice	<input type="checkbox"/> 620 Other Food & Drug	<input type="checkbox"/> 423 Withdrawal 28 USC 157	<input type="checkbox"/> 410 Antitrust
<input type="checkbox"/> 130 Miller Act	<input type="checkbox"/> 320 Assault, Libel & Slander	<input type="checkbox"/> 365 Personal Injury—	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881		<input type="checkbox"/> 430 Banks and Banking
<input type="checkbox"/> 140 Negotiable Instrument	<input type="checkbox"/> 330 Federal Employers' Liability	Product Liability	<input type="checkbox"/> 630 Liquor Laws	PROPERTY RIGHTS	<input type="checkbox"/> 450 Commerce
<input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment	<input type="checkbox"/> 340 Marine	<input type="checkbox"/> 368 Asbestos Personal Injury Product Liability	<input type="checkbox"/> 640 R.R. & Truck	<input type="checkbox"/> 820 Copyrights	<input type="checkbox"/> 460 Deportation
<input type="checkbox"/> 151 Medicare Act (Excl. Veterans)	<input type="checkbox"/> 345 Marine Product Liability	PERSONAL PROPERTY	<input type="checkbox"/> 650 Airline Regs.	<input type="checkbox"/> 830 Patent	<input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations
<input type="checkbox"/> 152 Recovery of Defaulted Student Loans	<input type="checkbox"/> 350 Motor Vehicle	<input type="checkbox"/> 370 Other Fraud	<input type="checkbox"/> 660 Occupational Safety/Health	<input type="checkbox"/> 840 Trademark	<input type="checkbox"/> 480 Consumer Credit
<input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits	<input type="checkbox"/> 355 Motor Vehicle Product Liability	<input type="checkbox"/> 371 Truth in Lending	<input type="checkbox"/> 690 Other	SOCIAL SECURITY	<input type="checkbox"/> 490 Cable/Sat TV
<input type="checkbox"/> 160 Stockholders' Suits	<input type="checkbox"/> 360 Other Personal Injury	<input type="checkbox"/> 380 Other Personal Property Damage	LABOR	<input type="checkbox"/> 861 HIA (1395ff)	<input type="checkbox"/> 810 Selective Service
<input checked="" type="checkbox"/> 190 Other Contract		<input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 710 Fair Labor Standards Act	<input type="checkbox"/> 862 Black Lung (923)	<input type="checkbox"/> 850 Securities/Commodities/Exchange
<input type="checkbox"/> 195 Contract Product Liability		PRISONER PETITIONS	<input type="checkbox"/> 720 Labor/Mgmt. Relations	<input type="checkbox"/> 863 DIWC/DIWW (405(g))	<input type="checkbox"/> 875 Customer Challenge 12 USC 3410
<input type="checkbox"/> 196 Franchise		<input type="checkbox"/> 510 Motions to Vacate Sentence	<input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act	<input type="checkbox"/> 864 SSID Title XVI	<input type="checkbox"/> 890 Other Statutory Actions
REAL PROPERTY	CIVIL RIGHTS	Habeas Corpus:	<input type="checkbox"/> 740 Railway Labor Act	<input type="checkbox"/> 865 RSI (405(g))	<input type="checkbox"/> 891 Agricultural Acts
<input type="checkbox"/> 210 Land Condemnation	<input type="checkbox"/> 441 Voting	<input type="checkbox"/> 530 General	<input type="checkbox"/> 790 Other Labor Litigation	FEDERAL TAX SUITS	<input type="checkbox"/> 892 Economic Stabilization Act
<input type="checkbox"/> 220 Foreclosure	<input type="checkbox"/> 442 Employment	<input type="checkbox"/> 535 Death Penalty	<input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant)	<input type="checkbox"/> 893 Environmental Matters
<input type="checkbox"/> 230 Rent Lease & Ejectment	<input type="checkbox"/> 443 Housing/Accommodations	<input type="checkbox"/> 540 Mandamus & Other	IMMIGRATION	<input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	<input type="checkbox"/> 894 Energy Allocation Act
<input type="checkbox"/> 240 Torts to Land	<input type="checkbox"/> 444 Welfare	<input type="checkbox"/> 550 Civil Rights	<input type="checkbox"/> 462 Naturalization Application		<input type="checkbox"/> 895 Freedom of Information Act
<input type="checkbox"/> 245 Tort Product Liability	<input type="checkbox"/> 445 Amer. w/Disabilities - Employment	<input type="checkbox"/> 555 Prison Condition	<input type="checkbox"/> 463 Habeas Corpus - Alien Detainee		<input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice
<input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 446 Amer. w/Disabilities - Other		<input type="checkbox"/> 465 Other Immigration Actions		<input type="checkbox"/> 950 Constitutionality of State Statutes
	<input type="checkbox"/> 440 Other Civil Rights				

V. ORIGIN

(Place an "X" in One Box Only)

- ☒ 1 Original Proceeding ☐ 2 Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from another district (specify) ☐ 6 Multidistrict Litigation ☐ 7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

Brief description of cause: Multiple Causes of Action: Fraud, Breach of Contract, SEC Violations, Rico Violations, etc.

VII. REQUESTED IN COMPLAINT:

☐ CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMAND \$,900,000

CHECK YES only if demanded in complaint:

VIII. RELATED CASE(S) IF ANY

PLEASE REFER TO CIVIL L.R. 3-12 CONCERNING REQUIREMENT TO FILE "NOTICE OF RELATED CASE". (1) C08 02248 RMW (2) C08 03410 RMW

IX. DIVISIONAL ASSIGNMENT (CIVIL L.R. 3-2) (PLACE AND "X" IN ONE BOX ONLY)

☐ SAN FRANCISCO/OAKLAND☒ SAN JOSE

DATE

July 21, 2008

SIGNATURE OF ATTORNEY OF RECORD

Jeffrey M. Forster

INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44**Authority For Civil Cover Sheet**

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

I. (a) Plaintiffs-Defendants. Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.

(b) County of Residence. For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)

(c) Attorneys. Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".

II. Jurisdiction. The basis of jurisdiction is set forth under Rule 8(a), F.R.C.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.

United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here.

United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.

Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.

Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; federal question actions take precedence over diversity cases.)

III. Residence (citizenship) of Principal Parties. This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.

IV. Nature of Suit. Place an "X" in the appropriate box. If the nature of suit cannot be determined, be sure the cause of action, in Section VI below, is sufficient to enable the deputy clerk or the statistical clerks in the Administrative Office to determine the nature of suit. If the cause fits more than one nature of suit, select the most definitive.

V. Origin. Place an "X" in one of the seven boxes.

Original Proceedings. (1) Cases which originate in the United States district courts.

Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441. When the petition for removal is granted, check this box.

Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.

Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.

Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.

Multidistrict Litigation. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407. When this box is checked, do not check (5) above.

Appeal to District Judge from Magistrate Judgment. (7) Check this box for an appeal from a magistrate judge's decision.

VI. Cause of Action. Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC 553

Brief Description: Unauthorized reception of cable service

VII. Requested in Complaint. Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.

Demand. In this space enter the dollar amount (in thousands of dollars) being demanded or indicate other demand such as a preliminary injunction.

Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.

VIII. Related Cases. This section of the JS 44 is used to reference related pending cases if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.

Date and Attorney Signature. Date and sign the civil cover sheet.